

The

Management Review

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Production
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Books of The Month

JUNE, 1952

Among the Features

What Are the Marks of Good "Executive Action"?

The Personal Practice of Freedom

The Contest and Its Place in the Employee Relations Program

Pitfalls in Job Evaluation

What's Wrong with Our Office Workers?

All's Fair in Steno Recruitment

Technological Trends in the Factory of the Future

Eliminating the Noise Hazard

Robot Shopping

Solving the Inquiry-Answering Problem

Packaging—Specialty or Sideline?

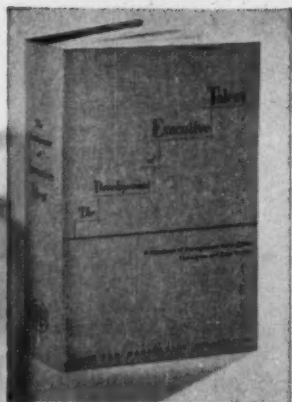
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AMERICAN MANAGEMENT ASSOCIATION

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AMERICAN MANAGEMENT ASSOCIATION
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WHAT ARE THE MARKS OF GOOD "EXECUTIVE ACTION"?

EFFECTIVE executive performance may be considered from two sides. First, there's the impersonal, the functional side—what the efficient executive does and how he does it. Second, there's the personal side—the individual attributes and characteristics usually found in executives who make their mark. Let us examine here the first: what the real executive does; or his "executive action."

If there is one thing that distinguishes good executive action it is capacity to delegate. A man who cannot delegate will never scale executive heights that he otherwise might. If he himself has to make every decision and have a hand in every project, his capacity will be severely limited.

Delegation is sometimes regarded as being on three decision levels. Which level the executive works on in any particular instance depends largely on two considerations—the quality of his subordinate, and how widely the decision will be felt.

At the first level are decisions which have little, if any, effect on other executives and their departments. Here, the delegated subordinate is given as free a hand as possible. It stands to reason, of course, that a new man will be given less leeway in the making of decisions than a man who has proved to his chief that he can be turned loose safely.

At the next level are decisions which affect others in some degree. They may have inter-departmental consequences. The subordinate must notify his chief of such decisions, but need do so only after acting.

At the third and most critical level are decisions that are likely to have considerable impact on other departments. In such situations, decisions made by one department head acting without reference to others would be intolerable. The logical point of coordination is the desk of the chief.

The good executive learns when, to whom, and to what degree he can safely—and properly—delegate. He also learns when delegation would be not only ineffective but wrong.

Upon a man's success in delegating depends in large measure his span of control. A great deal of nonsense has been written about the limits of an executive's span of control. Actually, the elements that must be taken into account to determine a man's span are numerous and complex. Among them are the qualities and characteristics of his subordinates: to some he can delegate much more than to others. Another consideration is the nature of the work he is doing and the amount of detail involved.

Closely linked with span of control is availability. How can an executive successfully direct a group of subordinate executives if he is seldom available to them when his judgment and support are needed? Few things have a more demoralizing effect on an organization than the non-availability of top executives.

With respect to availability, however, some executives err in a curious way. For example, there was an officer of a large bank who, wanting to stand out as a "good fellow" throughout the company, made himself "available" to all and

sundry. People in lower echelons of other departments saw an opportunity to gratify their vanity and perhaps gain recognition in higher quarters. They took more and more of his time, and he had less and less of it left for his own immediate subordinates who had urgent matters to discuss with him. By making himself too broadly available he was making himself unavailable to those who mattered, and was rapidly destroying his usefulness.

A good rule for an executive is not to deal with people other than those who report to him except on his own initiative for particular purposes. Such a rule has nothing to do with a "caste system," nor does it imply aloofness; it promotes productive availability and increases the executive's span of control. In passing, it should be noted that the good executive likewise does not jump his own lines of authority—a practice that can lead to trouble.

Skillful handling of subordinates goes hand in hand with good delegation and is a requisite of the best executive action. Among other things, this means maintaining (without interference) a genuine interest in what subordinates are doing and expressing appreciation from time to time. Praise need not be lavish. Just a few words, a simple gesture of confidence, will generally be enough to buoy up your man and send him forth to conquer more

worlds for you. And, if correction is needed, criticism may be offered in a considerate manner so that the man will benefit from it.

The effective use of committees is another mark of good executive action. Rightly used, a committee can promote a high degree of coordination among a group of people. The act of participation—studying a situation and reaching a decision on it—tends to bind committee members to a joint effort to make a project successful. Also, having a hand in the making of policy, being consulted by the chief, even though only as a committee member, is a great builder of morale among subordinate executives.

Another accomplishment of a committee may be to bring an obstructionist—chronic or otherwise—into line. The recalcitrant member is carried along by the sheer weight of numbers, if not by reason. The chairman who knows his business will see to it that the difficult member, having yielded to the will of the majority, considers himself bound to support the decision arrived at.

The use of committees, however, requires finesse. The committee that gets the bit in its teeth may attempt to usurp administrative functions. It may be stated as a general rule that any committee that seeks to direct an operation is almost certainly an ineffectual committee doing an ineffective job.

—*Men & Management* (Edward N. Hay & Associates, Inc., Philadelphia, Penna.), No. 18.

THE PERSONAL PRACTICE OF FREEDOM

GRADUALLY THIS nation is making up its mind on the greatest question it has faced since the decision was made which brought it into being. It is this: Shall we modern Americans accept the pagan principle of the all-powerful state and insignificant

citizen in place of the Christian concept that the purpose of government is to secure and protect the inalienable, God-given rights and sovereignty of each man?

There are good reasons to think that we shall—reasons which cannot be blamed on

the pressures of the present emergency.

First, we already have come a long way. Even before Korea, the entire credit structure of the United States rested upon administrative decisions, and more than half of all private homes were being built under federal guarantee. Over 20 per cent of all electric power was being generated by the government, and plans were being pushed which would more than double this amount. Approximately 15 million individuals, who with their families and dependents represented nearly a third of the total population, were receiving government checks of one kind or another. And in the last year, we have seen new billions tossed about with a casualness that is frightening. We have seen our unwieldy bureaucracy increased at the rate of 1,500 new civilian employees per day, with plans already made for a total 50 per cent higher than that of a scant two years ago.

A second major reason for thinking that we shall continue down the road we are traveling is the fact that the trend is being promoted by a powerful group of professional governmentalists. There is, indeed, cause for concern in the aggressiveness with which we are being shoved or lured down this road by these militant and often well-intentioned men, who have at their disposal a tremendous bureaucracy plus unlimited power to tax, borrow, and buy their way, under the name of social welfare, into complete centralized control of our personal lives.

A third reason for pessimism is the extreme difficulty of finding a definite place at which to stand and fight, of finding a clearly defined line where any substantial number of people are willing to agree that "this is it—they shall not pass." At what point, for instance, does public charity for those too old to work cross over from protection against starvation into the communistic doctrine, "From each according

to his ability, to each according to his need"? In occasional instances, like the open proposal for socialization of medicine, it is relatively easy; but such cases are the exception rather than the rule.

The fourth and last source of discouragement is the fact that almost nobody is 100 per cent opposed to the trend that threatens to engulf us. Practically everybody is against communism and socialism, and practically everybody is also against the government extravagance and inflation which can so easily bring them to us. Yet, though all of us howl for a return to some sort of sanity in government spending, which group in this whole nation has been willing to suggest a cut in any fund from which its own members derive benefits?

Here, then, are four reasons why it seems that we are voluntarily about to abandon our original Christian concept of American government in favor of the pagan philosophy which we openly denounce and greatly fear from abroad. If this were the entire story, the future would indeed be forbidding. There are definite reasons to believe, however, that this country is not going to accept the pattern of life and government which has wrought such havoc in other lands.

First, we have had ample opportunity to see and to know beyond all possible doubt the results which follow the replacement of personal sovereignty and responsibility with dependence upon the state. In our own generation we have seen a number of centrally planned economies reach full maturity. In not one case has a central government eliminated poverty or achieved its promises of increased welfare. So far as actual experience and records go, the depths of human wretchedness and a centrally planned economy have invariably gone together.

A second cause for optimism is the fact that we are making history's greatest ef-

fort to learn the economic facts of life. Literally dozens of programs are under way—by volunteer national committees, by foundations, by national business organizations, by farm groups and labor groups—to bring to the individual citizen, in terms he can understand, the story of this nation's fundamental structure and the secret of its progress.

A final reason for optimism is the fact that America is essentially a Christian nation. Despite all the evil and corruption we see about us, America today still merits that designation. A higher percentage of its population belongs to some church than ever before in its history—55 per cent as against 20 per cent in the good old days of 70 years ago. We are giving more than ever before to Christian causes. As Christian citizens, examining the programs and proposals of those who promise economic Utopia in exchange for votes, we know that we are forbidden to take our neighbor's property against his will, whether we employ the force of a black-jack or the force of a ballot box.

The fact that we are essentially a Christian nation, the fact that we are seeking increased economic comprehension, and the fact that we have had ample opportunity to see the results of rampant statism in other lands—in these lies our hope that we may yet see in our nation a conclusive victory over the political paganism which has engulfed so much of the world in our time.

—ED LIPSCOMB. *The Personal Practice of Freedom* (The Foundation for Economic Education, Inc., Irvington-on-Hudson, New York), 1952, 30 pages.

A Gypsy Chief Must Laugh and Sing

THERE is a great deal of laughter in our office, though to date there has not been any singing that brings talent scouts from opera companies. The goodwill we have in our firm reminds us of what some organizations lack and why they lack it.

The chief of a gypsy band chooses the road to be taken, sets the date of de-

This hope will not be realized, however, unless each and every one of us takes action. Insofar as this fight is concerned, it doesn't matter what you think if you don't do something about it. What, then, can you do? There are two things.

First, you can practice what you profess to believe. You cannot convince others that you are in favor of government economy and then sign resolutions calling for federal funds with which to build your town a bathing beach or even a hospital. You cannot convince them that you believe in economic freedom and independence for the individual and then ask that Washington underwrite your personal or business risks.

The second thing you can do is to initiate among those about you an opinion-molding program of your own. Perhaps your own most effective program is through a civic club or business association to which you belong. Perhaps it is through employees in your office or plant. Perhaps it is through writing or speaking or conducting a campaign of personal contact.

As we thus prove our faith by our works, as we accept with diligence and devotion the responsibility for areas within our reach, as we inspire those about us and send them in turn to inspire others, we shall find that we are making an ever-increasing contribution to the accomplishment of our century's most challenging job.

parture, and decides the length of stay anywhere. But he has something more important to do than that: The most important duty of a gypsy chief, according to Konrad Bercovici, is to keep the tribe happy. When he once questioned some gypsy friends why they had deposed Marcu, who appeared to be a great chief and who had helped them become powerful and wealthy, he was answered:

"Since Lucu is our chief, we sing and laugh every night. Somehow, in spite of all his wisdom, Marcu's leadership was not conducive to song and laughter. What good was all the gold we had in our pockets when there was no gold in our voices?"

Those of us who are leaders might well ask ourselves: Does my leadership encourage song and laughter? Do I do my share to make my associates happy?

—*The Bulletin* (Office Management Association of Chicago) 4/52

Tomorrow Will Be Beautiful

AMONG THE LESS HEROIC TRAITS of the average man (whoever he is) is his perverse tendency to put things off. Procrastination, about which much advice is given and little taken, is usually associated with such unpleasant things as going to the dentist or having a showdown with the boss about that raise.

Few of us realize, though, how often and how shortsightedly we procrastinate on pleasurable things. We live so much of our lives in the past, which we think was better, or in the future, which we expect will be better, that we completely overlook the present—which we can easily make better.

An investigation of 3,000 people disclosed that 94 per cent are living in hopes of a brighter future and are concentrating their entire present on winning it. Yet insurance statistics prove that of every 100 men of 35, only one will achieve wealth before he dies.

For 20 years a man has been saying to his wife, "This winter I'm going to buy a pair of ice skates and take it up again. Remember the fun we used to have on the lake back home?" Today he's 72 and still saying it!

He's right. He would have had a lot of fun. And so would millions of others who, instead of dreamily waiting for a slippered ease, would begin now to take up photography or stamp-collecting, would begin now to read the good books they mean to get to some day. Even traveling to see the world is no longer a luxury preempted by the rich (or the navy!).

Don't forget the philosophy of an old college professor who sadly summed up business people as being "so busy earning a living they forget to live."

—*TSA Echo* (Transcription Supervisors' Association of New York) 4/52

Industrial Research Comes Into Its Own

WE HAVE REACHED a position today where research is big business. Most of our corporations, both large and small, are consciously spending a significant percentage of their annual sales on research. The range is from about 1 to as high as 10 per cent, with an average probably near 2 or 3 per cent.

The total amount being spent on research is somewhere in the vicinity of a billion dollars a year, depending upon what you include in research. This means a fraction of the total national income somewhat under 1 per cent, but it is a very significant sum.

No small amount of that is being spent through government channels. The total governmental expenditure on research appears to be, again depending upon how you make the breakdowns, well above five hundred million dollars.

—*Selection, Training, and Use of Personnel in Industrial Research* (Proceedings of the Second Annual Conference on Industrial Research, June, 1951, Columbia University)

YOU, TOO, CAN GET ULCERS

WHY DO SO MANY MEN who have made a success of their business careers feel they've made a failure of their personal lives? Why aren't they satisfied to level off and enjoy life instead of feeling they have to keep climbing? Outside of their offices, why are they so often bored, jittery, and lonely?

The answer lies in the kind of person the successful executive is. According to Dr. William E. Henry, University of Chicago psychologist, who formulated one of the most widely used personality tests for management selection, a man doesn't just happen to make good as an executive any more than a pretty girl just happens to win a beauty contest. He has to be "the type." Dr. Henry and many other psychologists working independently of one another have come up with just about the same personality profile of the successful executive.

Make him president of a medium-sized manufacturing corporation and call him "J. B." Let's see why J. B.'s a success, why it's backfired on him, and what can be done to help him achieve the fuller, rounder life.

J. B. isn't a genius by a long shot. In fact, he's the "typical American," only more so. He possesses to an unusual degree the qualities we cherish in our national character—ambition, driving energy, self-reliance, decisiveness, ingenuity, and hard common sense. That's why he's a success. It's also why he's unhappy. "He is still the executive," says Dr. Henry, "in situations where there is no point in being an executive."

For J. B., business has always come first—over wife, children, and friends. Home is just another department with the "little woman" in charge. J. B.'s wife feels this rivalry between home and office keenly. This makes for subtle hostilities which are

sometimes expressed in unsatisfying sex relations and in bickering about money, which becomes what psychiatrists call a "potency symbol." When J. B. complains about his wife's extravagance, he hardly realizes that spending his money may be a means both of punishment and of getting something out of him she can't get in any other way.

The ordinary person isn't very ambitious. Often he achieves a reasonable standard of living—a little higher, perhaps, but not much higher than his parents. He's content to coast along on the job and spend more and more of his time and energy on the things that give him his real satisfaction—his family, his hobbies, his friends.

J. B. just isn't built that way. He has to keep moving, and there are only two directions—up and down. A constant gnawing fear of failure goads him on. When he isn't climbing, he feels he's slipping. The more he does, the more he finds to do.

"What's there to be afraid of?" says J. B., and lives in fear—of the union, of the junior executive who might supplant him, of the higher-ups who can always fire him, of competitors who might cut the ground out from under him, of customers who can always refuse to buy, of the whole economic order which might come crashing down around his ears in another depression.

Since childhood J. B. has been driven on by the feeling that he must be able to do more than the other fellow and do it faster and better. The psychiatrists have an interesting theory to explain how he got that way. They say his aggressive drive to independence and power is motivated by unconscious guilt feelings he has attached since childhood to the normal human longing to be loved and taken

care of. In any case, the high-powered executive does have this inner drive which makes it hard for him to slow down, to play, or just loaf.

How can he get rid of all the surplus energy and aggressiveness he can't act out on the job? Without exception, doctors say the best release is play.

At the famous Menninger Sanitarium in Topeka, Kansas, a study made of play habits among patients showed that the normal or fairly well-adjusted group pursued twice as many hobbies as the mal-adjusted. Few of us, says Dr. Carl Menninger, realize how many aggressions we get rid of harmlessly in play. "In play there is no necessity for pulling punches or being hypocritical," says Dr. Menninger. "It enables us to express aggression without reality consequences. We can hurt people without really hurting them. We can kill them without really killing them."

For the executive type of personality, play is not just a pastime but a life-saver. For unless he takes out his aggressions in

play, he eventually will take them out on himself.

What can the company do to help the executive achieve emotional security? Today modern management is beginning to put less stress on salary and promotion and more effort into making the executive's job meaningful. What the executive wants, when you come right down to it, is recognition as a human being, and unless he gets this he'll feel he's failed, no matter how hard he tries to kid himself that a dollar is still a dollar.

The problem, then, is to treat the executive as a complete human being, not as a two-legged management function. That is why industry has hired a small army of psychologists to find out what makes the executive tick—and how to detick him, so to speak, of the emotional frustrations which make him the victim of his own virtues. With a better understanding of himself, there is no reason why the executive cannot be happy, even though successful.

—JOHN KORD LAGEMANN. *Nation's Business*, March, 1952, p. 33:5.

Top Men Get Deepest Salary Bite

NO, IT'S NOT YET NECESSARY to set up a charitable fund for poor top executives—but in terms of purchasing power the leaders of industry are making 59 per cent less today than in the golden days of 1939. Layer after layer of new and higher taxes, together with the sheer rise in the cost of living during the 12-year period, have more than offset the scanty 35 per cent increase in actual dollars earned, according to Arch Patton of McKinsey & Co., management consultants.

This information is based on a survey of 41 large companies in a dozen important industries. The top management level was defined as the highest paid, averaging about \$59,300 per year in 1950, and constituting one-tenth of 1 per cent of employees. Other working classes fared better in holding the line against encroachments of a free-spending, tax-ridden economy.

Middle management, the next highest paid group, comprising nine-tenths of 1 per cent of employees, showed a 45 per cent jump in gross income over '39—but there was also a purchasing power skid of 40 per cent. In 1950 this group averaged earnings of \$15,200 per year.

The larger foreman (supervisory) group gained 83 per cent in gross salary—but lost 13 per cent in purchasing power while earning \$5,500 in 1950. White-collar and hourly employees received pay rises since 1939 averaging 106 per cent. They were able to do a little better than hold their own against high prices and taxes,

registering a 3 per cent increase in purchasing power over 1939. Since this estimate of their income does not include overtime, their gain was probably higher.

Top management's average salary of \$59,300 per annum in 1950 is a shadow of itself in 1939 when the assault of higher taxes and rising cost of living is considered, Mr. Patton reports. Its purchasing power is equivalent to only \$18,000 in 1939 terms.

Perhaps top management has not had to hock its Cadillacs but it hasn't been buying many yachts.

—*The Iron Age* 2/28/52

How One Company Chooses Plant Sites

INDUSTRIAL DEVELOPMENT specialists were recently given the "inside story" of how a large company selects new plant locations. The president of the Westinghouse Electric Corp., Gwilym A. Price, speaking to a Boston Chamber of Commerce group, emphasized that neither the president nor any other single "right man" makes such decisions. Instead a large corps of researchers submit their findings to the division manager responsible for the new plant, and the decision is based on this research.

The Westinghouse executive reminded his listeners that if the decision is not economically and socially correct, the penalty can be failure for the business and a severe setback for the industrial growth of the community.

These are some of the reasons a city is currently listed as "very desirable" for the location of a new Westinghouse plant: There is an adequate labor supply and fair labor rates; the city is large enough to absorb the supervisors' families; there is a good public school system, a good assortment of "houses of worship," and good shopping facilities; the county is free of debt, indicating a stable tax rate; and the city has a definite plan for attracting new industry which will fit the community needs.

—*New England News Letter* 4/52

Company Officers Conduct University Classes

AN UNUSUALLY SUCCESSFUL PLAN for cooperation between a school and a business has been put into effect in St. Louis, where the major executives of Ralston Purina Co. are conducting a series of lectures for a class of seniors at Washington University.

The program was carefully planned to show a corporation in action—to demonstrate business principles as they're put into practice, not as mere theory. The top men in the corporation were all briefed and instructed on how to prepare the lectures by the company's own top management. A committee was formed to plan the program, and special care was taken to see that the executives did not duplicate the information given the students.

The program included a trip through the company's plant and home offices, and a visit to the company's big research farm.

Both the university and top management at Ralston are pleased with the results of the program. These talks have brought informative, practical, realistic messages to the students, and have shown them how a large corporation really operates.

Ralston Purina also finds that these lectures have given a group of top men an opportunity for a healthful examination, analysis, and description of their own duties and functions. Some of them, it is reported, have inaugurated improvements in their departments as a result of these analyses.

—*American Business* 4/52

REBEL—JUST A LITTLE

EVERYONE HAS RETIRED for the night. You sit alone, smoking, watching the glow from the dying embers of the fire. You relax as you mull over the happenings of the day at work and elsewhere—a full, highly satisfying kind of a day; the kind of day which leaves you at ease with yourself. You reflect, "How pleasant if all days could be so satisfactory in retrospect. Why aren't they?"

The answer is not easy to find. Environment and background have built up barriers which obscure the picture of our real selves. We follow, consciously or unconsciously, certain patterns of living developed through our associations with others. We are members of a given social class—a certain profession—a particular club—a political party—a given income class—a union—a business association. We recognize the necessity of these patterns in our associations with others. We seldom realize, though, the extent to which conformity to pattern can substitute for intelligent, thoughtful determination by the individual.

—LEONARD J. BISBING. *Marquette Memo* (Marquette University, Milwaukee, Wisc.), February, 1952.

We want to "belong," to be "accepted." Certain actions and expressions are taboo, others desirable. We are in favor of this and against that—we say on "principle." We do not want to be considered "queer," or "unreliable," or "unpredictable" by our group.

The answer is not to be found in conformity. The essential ingredient of "full, satisfying days" would seem to be highly individualistic. You have done something of which you basically approve. Others may or may not approve. It may or may not conform to the accepted pattern.

The instrument of measurement might thus be called "personal integrity." Group standards, if the "group integrity" is to remain uncompromised, must be acceptable to the individual members of the group—measured in terms of "personal integrity." Problems of society, as they exist at this moment, might be so simple and personal of solution if such a measurement were used.

Tips for Getting Instructions Across

HOW DO YOU FEEL when you've given the clearest and most explicit instructions and you find that you might just as well have been "off the air" for all the results you got? The Navy has a film which explains why that happens and how to prevent it.

Though it is this film's purpose to teach Navy instructors the do's and don'ts of using films and training aids, it also offers these trenchant lessons for anyone who has to give orders and instructions:

Get Attention. The movie points out that the average person's mind is as cluttered as a second-hand furniture shop; the instructor has to compete with a few thousand other matters for the learner's attention.

Give a Preview. When a person knows what he is going to be told, he'll be alert for the pertinent information and will recognize it as something to be remembered when he hears it.

Recapitulate. Rivet the information firmly with a brief summary of the salient points, and invite questions.

Test the Learner. If the learner can't repeat the information in his own words, he hasn't really learned and digested it.

—*Supervisor's News Service* (Bureau of Business Practice) 4/28/52

American People's Tribunal

★ Red Star Edition ★

97th year of Revolution

Kremlin News

Weather Control Negligence Punished

New York, Feb. 15, 2050.—The People's Government today took swift action against Weather Control, director of Eastern Weather Control, who pleaded guilty to two counts of gross negligence.

On December 25th, the prosecution charged, Todd permitted snow to blanket seven coastal states, in defiance of the Weather Control Calendar. On January 12th, it was further alleged, he failed to take proper action against a bank of storm clouds, a remission which resulted in heavy rain.

Todd made full confession, claiming that in a moment of temporary aberration he had been overcome with latent sentimentality, a hangover from the decadent imperialism of the

previous century. "I wanted to see," stated Todd, "what the corrupt writers of the past meant by the term 'white Christmas.'" On this count he received a six months' suspension without pay. People's Judge Thaddeus Snook threatened a long stretch in the Kansas salt mines in the event of a repetition of the offense.

On the rain-fiasco charge Todd got off with a suspended sentence when he pleaded that the error had resulted from misreading the weather schedule, which ordered rain in the Eastern Control area on February 12th. Instead of January 12th, Judge Snook said his leniency was prompted by Todd's exemplary record and his assurance that such mistakes would not occur in the future.

Production Control Violator

Gets 12 Years at Hard Labor

Chicago, Feb. 34, 2050.— during the year's first Work Suspension Period, which ended February 18th. At the same time, Boris Beauregard Millitiding, the defendant's nine-year-old son, was praised for having

exposed his father to the State. "Do you or do you not know," the Court demanded of Millitiding, "that it's a high crime to work during the Work Suspension Period?"

"Yes, excellency," replied Millitiding.

"When you went to school," pursued People's Judge Smith, "were you not indoctrinated in People's Creed Number One—that it is the citizen's duty NOT to work during the periods ordained by the State? Are you not aware that such disobedience can upset the State's Production Control?"

"Yes, but—" said Millitiding.

"But what?" "Excellent," I was building a little cabinet. A beautiful cabinet just for my own use and I hated to stop—"

"Ah," snapped the Court, "imperialistic pride in possessions." "I was having such pleasure in creating it and I didn't think there was any harm—"

"Do you have a license from the Creative Craftsmen's Guild?" "No, excellency," Millitiding admitted, hanging his head.

"Since you like to labor so much," declared the Court, "I hereby sentence you to 12 years at hard labor in the uranium mines. Let this be an example to other violators of the People's Production Control!"

Fertility Schedules Announced

Washington, March 1, 2050.—The Fertility Control Commission today announced the Procreative Schedule of the year, encompassing age brackets of 15 to 50. Failure to report for artificial insemination, in the event of gestational deficiency, is punishable by a maximum penalty of five years at forced labor. Unauthorized deviations are subject to a six months' penalty. Regional Schedules are to be posted in all post offices.

"The Commission takes due cognizance," states the directive which accompanies the schedule, "of an incipient underground movement to sabotage the State's Fertility Production Control. Sporadic meetings have been reported in Maine, New Jersey, Florida and California. A pernicious doctrine is being promulgated that 'The old-fashioned way is the best.' Needless to say, the Commission has already instituted ruthless measures to stamp out this insurgence."

"Separate instances have been reported," continues the directive, "of nauseous sentimentality which takes the form of unast

"COME THE REVOLUTION—": What our favorite newspaper might look like if the Politburo moved to Washington, illustrated by a two-page spread. (As visualized in Back Talk, an entertaining house organ issued by the advertising firm of J. M. Kesslinger & Associates, 37 Saybrook Place, Newark 2, N. J.)

Also Recommended • • •

THE FACTORY OF THE FUTURE. Reprinted from *Factory Management and Maintenance* (330 West 42 Street, New York 36, N. Y.), April, 1952. 96 pages. 50 cents. The factory of the future will be a highly automatic plant, characterized by greatly increased production, according to this group of articles. Its appearance, its problems, its technology, the role of the atom in its development, and the economic thinking behind it are all described. Such a factory is not an impractical, never-to-be-realized dream, it is emphasized, since many of its features have already been incorporated in today's industrial plants.

ENGINEERING THE INVISIBLE. By H. H. Carey. *Advanced Management* (411 Fifth Avenue, New York 16, N. Y.), March, 1952. Top management people in the United States are the world's greatest realists on tangible elements of operations, but in the area of human relations they are, perhaps, the world's greatest idealists. The author believes that the over-all picture is far from encouraging, in some cases critical, and he lists six "Great Misconceptions" of management.

THE WORK COMMITTEE—AN ADMINISTRATIVE TECHNIQUE. By Clement J. Berwitz. *Harvard Business Review* (Gallatin House, Soldiers Field, Boston 63, Mass.), January-February, 1952. In this article the author brings the experience of government to bear on a question which applies to all types of enterprise, including business—how to work out solutions to policy problems that will be operationally feasible. Mr. Berwitz feels that this can be best done through the work-committee method, which he describes here in detail. This method, he feels, insures realistic plans, engenders respect for administrators who have courage to use the talents of their subordinates and creates a spirit of teamwork.

READING ABILITIES OF BUSINESS EXECUTIVES. By Carol S. Bellows and Carl H. Rush, Jr. *Journal of Applied Psychology* (American Psychological Association, 1515 Massachusetts Avenue N.W., Washington 5, D. C.), February, 1952. The average business executive is exposed to a very large quantity of reading material—newspapers, trade publications, reports, letters, and memoranda. This article is an analysis of a training course in reading efficiency given to 150 executives which resulted in significant improvement. At the beginning of the course most of the executives were slow readers—71.8 per cent reading at a rate below 300 words a minute. After training, only 1.4 per cent read below 300 words a minute.

AMERICA REVISITED. By George Soloveyitchik. *Nation's Business* (1615 H Street, N.W., Washington 6, D.C.), March, 1952. An Englishman revisiting America finds that this country has become more mature, more aware of its responsibilities as a nation, more eager for knowledge and education, and more tolerant in its approach to race relations. Yet, along with these encouraging signs, the author also finds much frustration and even a sense of fatalism, as well as a tremendous waste of men, time, money, and goods.

HOW TO INCREASE PRODUCTIVITY IN SMALL PLANTS. By Frank K. Shallenberger. *Mechanical Engineering* (29 West 39 Street, New York 18, N. Y.), May, 1952. The prosperity of small business is basic to our economy, and its productive capacity is essential to our national defense. The author tells how production in the small plant can be increased through good management; proper selection, training, and motivation of personnel; and effective use of plant and equipment. Good management is all-important, he points out—more small-plant failures can be attributed to lack of managerial ability than to any other factor.

INTERNES IN MANAGEMENT. By Dee P. Sturges. *Systems Magazine* (315 Fourth Avenue, New York 10, N. Y.), February, 1952. Cities Service's "cadet engineer" system trains young men for executive positions by giving them a two-year course that includes jobs as ditch-diggers, grease monkeys, and bulldozer-drivers, as well as varied office duties. The company believes that the system has two major advantages: (1) Performing a variety of tasks helps a cadet find his field of specialty; and (2) experience in doing the tough physical work that has to be done helps him, after he has reached executive status, to understand the aspirations and gripes of men who do such work all the time.

YOUNG EXECUTIVES SPEAK UP. *Modern Industry* (400 Madison Avenue, New York 17, N. Y.), March 15, 1952. More than 200 young men, members of the Young Presidents' Organization, were canvassed in this special survey. They were asked some pointed questions about executive incentives, industry's political role, chances of advancement, how to educate the public in basic economics, and management's shortcomings. Today's executives will find the answers of these men, whose average age is 34, interesting to the extent that they bring into clearer focus a picture of the American business statesman of 1972.

THE CONTEST AND ITS PLACE IN THE EMPLOYEE RELATIONS PROGRAM

THE USE OF CONTESTS as part of a successful employee relations program is not new. However, indications are that a greater variety of contests is being used by management today than ever before.

To gather more detailed information on this significant trend and to provide practical assistance for those planning and developing contests, a survey was made recently of 65 business organizations which have used employee contests. Information was sought on objectives, frequency, eligibility, awards, judging, and other important aspects of the employee contest. The following are some of the salient findings of this study:

While the basic aim underlying most employee contests is to build better interest, morale, respect, and goodwill throughout the organization, there are many secondary objectives and many ways to accomplish the end result. For instance, a number of companies reported that, although they had used a contest successfully in obtaining a name for their new employee publication, the contest was also designed to increase employee interest in the new enterprise. Other contests are used to inform employees about company operations—new equipment, plans and policies, benefits, etc.—to increase interest in the free-enterprise system, and to promote better public and community relations.

The scope of employee contests is broad—limited only by the bounds of imagination. While many of the basic forms of competition, such as letter-writing, essay, and photograph contests,

remain as effective morale-builders, there are many examples of new ideas being used to stimulate employee interest through contests. Typical of some of these novel and timely forms of competition are the Inland Steel Company's model-ship-building contest to stimulate interest in a new ore-carrying ship; a hat-designing contest known as the "Battle of the Bonnets," sponsored by the S. C. Johnson Company; and the Wyomissing Industries' "Believe It or Not" contest to increase interest in a bicentennial celebration by the city of Reading, Penna.

In the great majority of cases, employee contests are conducted under the supervision of the personnel department. However, contests are also supervised by the industrial relations manager, the public relations department, and the advertising department. There are instances in which several departments of the company are concerned with the handling of the contest. For example, quite often, though the employee publication editor actually handles the contest, the sales promotion, advertising, and public relations departments are also involved.

Employee contests seem to fall into two separate patterns with regard to the times when they are used. One type of contest is usually held as a regular competition each year. Included in this category are photograph contests, art contests, annual fishing competitions, etc. The other type is a special contest run simply as a one-time competition, held usually to meet some particular situation.

Typical of this type is the program to stimulate interest in quality control by the Ford Motor Company.

There seems to be a feeling on the part of most companies employing contests that the greater the degree of participation, the more effective will be the results. Generally, the competition is thrown open to as many employees as possible, and in many cases is open to employees' families as well. For instance, Republic Steel Corporation aimed its "How Can I Help Preserve the American Way of Life?" contest at the junior and senior high school students of Republic families, while the Hercules Powder Company, in its annual art contest, invites children of employees to take part. However, most companies make it a rule to eliminate from the competition those employees who are in any way connected with the planning or operation of the contest, and at least half the companies also exclude executive personnel, supervisors, and foremen.

The employee publication is one of the most logical and most frequently used media for promoting any type of employee contest. Many companies also report excellent response from the use of the bulletin board in announcing the start of a contest and in continuing pro-

—From *Employee Contests as Morale-Builders*. Policyholders Service Bureau, Metropolitan Life Insurance Company, New York, 1952, 68 pages. (Issued to Metropolitan Group policyholders by the Policyholders Service Bureau of the Metropolitan Life Insurance Company.)

motion of it. To promote a contest outside the company, as well as internally, such media as the local press and local radio stations are frequently used.

In all but a few instances, companies award prizes to contest winners. The usual practice is to give the winners cash awards, Savings Bonds, merchandise, or an expense-paid trip. Sometimes the nature of the content itself determines the type of prizes awarded. For instance, several companies sponsoring fishing competitions offer fishing rods and reels and other fishing equipment to the prize winners.

What does management say about the effectiveness of the employee contest as a morale-builder? Forty-eight companies indicate that they consider contests valuable as a part of their employee relations program. Five companies, however, report that contests have little or no value, while eight companies say that the value of contests is questionable. (Poor response and participation on the part of employees may be the chief cause of these negative replies.) All companies agree that contests must be well planned, organized, promoted, and scheduled if they are to bring any results. Employers feel generally that no contest at all is better than a poorly conducted one.

Fourth Annual AMA Survey of University Research

CONTINUING its regular annual surveys of university research in personnel management, labor relations, and labor economics,* the AMA editorial staff has now launched its current survey, designed to bring earlier reports up to date. While soliciting the cooperation of former contributors, the editors are hoping to increase the number of participants in this year's study. It is planned to publish the first part of the report in an early issue of *PERSONNEL*.

Further details may be obtained from the AMA editorial office by those desiring to participate.

* Last published in the July and September, 1951, issues of *PERSONNEL* under the title of "Industrial Relations Research at Universities: Progress Report, 1950-51."

PITFALLS IN JOB EVALUATION

WHILE A JOB EVALUATION plan has many advantages, weaknesses inherent in such a system are bound to develop once the plan is put into operation unless we are on the lookout for and are prepared to correct them.

Though a job evaluation plan should prove effective if the company has an objective rating system, a fair wage policy, accurate job analysis, top management backing, and competent personnel to administer the program, the only fair measure of the plan is whether it fits your company and can do the job you want done. The real strength or weakness of job evaluation, therefore, can be found in the day-to-day operation of the program. Here are some of the pitfalls revealed by an examination of such day-to-day operation in a number of companies:

Lack of training of line management personnel. Job evaluation is a tool which must be used primarily by the supervisor "on the floor." Questions from employees concerning such matters as wages and job rate are almost invariably directed to their bosses. It is often difficult, however, to get an old line supervisor to appreciate modern job evaluation principles and policies. If it is found that, because of this, questions are not being directed to the supervisor, he should be given further training.

Using job evaluation to justify unwarranted increases. Once job evaluation is sold to management, it sometimes paves the way for increases which are not justified but which are expedient. Union-management grievances have been settled through the arbitrary raising of a job from one grade to another. Also, pressure is sometimes exerted to reclassify an employee, even though he is not qualified for the higher job. All such misuses tend to break down the system.

Failure to appreciate the limitations of job evaluation. Sometimes job evaluation is oversold to management. If job evaluation is described as a scientific tool, you are in for trouble; once an inaccuracy is found, your entire system is suspect. Therefore your objectives should be clearly defined and all concerned should be informed of what the program can and cannot accomplish.

Maintenance of up-to-date job ratings. An elaborate system of job evaluation which does not reflect current and changing conditions is worse than none at all. Line management should therefore be made aware of the necessity of advising the job evaluator of job changes. Better yet, a system of regular job analysis check-ups should be instituted. Each employee should be interviewed at least once a year concerning his job duties and responsibilities.

—J. A. RUHLMAN. *Better Relations Through Better Understanding* (Proceedings, Thirty-third Silver Bay Conference on Human Relations in Industry), 1951. p. 105:1.

COST OF LIVING FOR WOMEN WORKERS: A working woman living with her family in New York State in 1951 needed \$2,340 a year, or \$45 each week, to support herself adequately, meet income tax payments, and save for emergencies and old age, according to the findings of the fifteenth annual survey of living costs made in September, 1951, by the Division of Research and Statistics of the New York State Department of Labor. Of this total, \$1,705 was needed to cover the cost of goods and services, and \$635 was required for income taxes, insurance, and savings.

SOLVING THE RETIREMENT PROBLEM: A SURVEY OF COMPANY PRACTICES

TO DETERMINE CURRENT practices in business and industry pertaining to retirement of employees, a survey of 70 large corporations employing 2.75 million workers was recently conducted by questionnaire.

The replies, which are suggestive of contemporary practice, indicate that while most interest is still centered around pensions (all the respondents reported that they have a pension plan for employees), companies are showing increasing interest in retirement problems and adjustment. Thirty-seven per cent of the respondents have some kind of pre-retirement program in operation, and an additional 9 per cent indicate that they are conscious of the need for such a program. Some companies have initiated pilot studies as the basis for the development of a formal program. Others are beginning to explore the problems more fully in order to improve their present programs. Still others have done little or nothing up to the present time only because pension plans were established very recently in their organizations.

The most significant finding of the survey is that companies are facing the problems of preparation for retirement at very different levels. Of the respondents having programs in operation, 69 per cent cover financial preparation; 62 per cent cover insurance and medical care; 35 per cent cover preventive medicine, which includes physical problems of aging and steps to maintain health; 31 per cent cover outside activities and hobbies, which may become revenue-producing and which, in some cases, may be related to the area of financial adjustments. Only 19 per cent cover housing and living arrangements, and only 12 per cent attempt

to prepare employees for adjustments in family relationships. Also, only 12 per cent provide for: continued availability of company facilities for retired employees, contact with retired workers once a year through the department where they had formerly worked, or presentation of a book which discusses retirement problems.

In many companies (46 per cent) the responsibility for the preparation of the employee for retirement is left to department heads or supervisors who may be too busy to do effective counseling or whose ability to counsel effectively in this area may be questionable. Where supervisors and department heads are given such responsibility, there is no evidence of any supervision or coordination of their activities.

Nineteen per cent of the companies, in preparing their employees for retirement, reach them both through individual counseling and the house organ; 12 per cent employ the house organ together with group counseling and individual counseling; 4 per cent of the respondents reach their employees through the house organ only; and 4 per cent through the house organ and group discussion. Unless programs employing media of this kind are worked out carefully, they tend to be superficial.

Most of the corporations surveyed maintain the desirability and need of a fixed retirement age at or near 65 years, primarily because such a policy presents fewer administrative difficulties than a flexible retirement policy based on physical and mental ability to do the job. However, the validity of a fixed retirement age is questionable because of the severe losses to industry of workers who have the skill and ability to do an effective job and because of the economic con-

sequences of maintaining an increasing number of workers in idleness. In view of the present emergency, which will necessitate the utilization of all available manpower to meet the requirements of

national defense, industry will have to reconsider seriously its position regarding the question of a fixed retirement age and work out methods for the most effective utilization of older workers.

—JACOB TUCKMAN AND IRVING LORGE. *Journal of Gerontology*, Vol. 7, No. 1, p. 77:9.

Mail-Order Education

AS the biggest general store in the world, Sears, Roebuck & Co. knows that it pays to take good care of its 190,000 employees. Long a leader in the field of human relations, Sears has one of the most liberal pension and profit-sharing plans in the U. S., feeling that through owning 24 per cent of the company themselves, the employees are bound to work harder for it. Now Sears has another plan to benefit employer and employee alike.

Since June, employees have been able to take free correspondence courses from the "Sears Extension Institute." Brain child of Theodore V. Houser, newly appointed vice chairman and crown prince to Sears' boss, Robert E. Wood, the Institute offers seven courses designed to teach employees more about the merchandising and use of such items as foundation garments, fabrics, paints, rugs and carpets, heating equipment, and roofing. The courses will cost the company an estimated \$750,000 a year. To date, 10,000 employees have signed up.

—*Time* 5/19/52

Teen-Agers on the Production Line

RECOGNIZING THAT POTENTIAL LABOR POOLS in the U. S. have been just about completely drained, Solar Aircraft Co., San Diego, Calif., has begun to employ teen-agers on production lines. The experiment began last September, and at present more than 100 youths are working four-hour shifts daily, with some putting in a full day's work on Saturdays. High schools in the area have allowed interested students two hours leave daily, awarding school credit for practical work experience.

—*Mill & Factory* 3/52

AMA'S DIRECTORY OF LOCAL PERSONNEL GROUPS

TO COMPLY WITH REQUESTS from AMA members for up-to-date information about local personnel and industrial relations associations throughout the country, the Association is revising and expanding its "Directory of Local Personnel Groups" (last published in the July and Sept., 1951, issues of *PERSONNEL*) for early publication. Such groups as have not been directly solicited for information are urged to cooperate by sending their names, addresses, lists of officers, and any available descriptive material on their functions, activities, and publications to AMA headquarters. It would also be appreciated if bulletins, press releases, and other material issued by local associations were sent regularly to AMA. All material should be addressed to the Editor, American Management Association, 330 West 42nd Street, New York 36, N. Y.

INFALLIBLE SELECTION?

HOW OFTEN DO WE hear of job candidates who have been rejected after the most careful consideration by the personnel department rising to great things elsewhere and see those who pass the selection battery not quite make the grade expected of them? We are inclined to explain the former by saying that the individuals must have developed subsequently, whereas the latter have failed to use the talents they seemed to possess. The real explanation, however, is that no selection techniques are infallible.

Though many techniques have been evolved to find out how candidates will respond in different situations, particularly in the field of management and supervisory selection, attempts to utilize them in typical work situations are never completely successful since artificiality is never altogether absent. The leaderless group discussion* which simulates a board meeting may show one individual to be quite outstanding in reaching a decision; he seems prepared to launch a new company with all the confidence and foresight required for such an enterprise. But would he have the same confidence and courage if the circumstances were real?

In the Army the attempt to make exercises realistic is carried to extreme lengths: live shells are fired; bombs cause real destruction; and the message telling the commander that the whole of B company on the western sector has been wiped out has a ring of truth in it. However, the commander knows the "casualties" have just retired for a smoke, and with this reassurance can confidently settle

down to plan a brilliant deployment of reinforcements. The true test will come only when the lives of his men and the outcome of the battle depend on his decision. Then it may be that another officer, less brilliantly successful in the test exercises, will rise to the occasion much more effectively. That he does so may surprise those responsible for promotions but not those close to him in everyday life.

Though a close knowledge of candidates is, obviously, the most desirable condition in selection, for new candidates for supervisory and management positions, modern group selection and the "trial by fire" methods must serve as reasonable substitutes. With such artificial conditions, however, there is always the danger of artificial response by the candidates. Experienced interviewers, provided they are not restricted by stereotyped techniques, may frequently see through such a response; their judgment may well prove more reliable than the evidence of prescribed tests. The importance of candidates' past records should also be remembered, of course.

In the case of individuals within the organization, the personnel officer should have a wide knowledge of them based on day-to-day contacts. This should give him a picture of each individual from which he may forecast with some accuracy the candidate's possible behavior in a variety of situations. Even then it is well to remember that there can be no certainty that the best possible choice has been made, or that someone who has been passed over may not have even greater potentialities.

* See Bernard M. Bass, "Selecting Personnel by Observation," *PERSONNEL*, January, 1950.—Ed.

—*Journal of the Institute of Personnel Management*, Vol. XXXIII, No. 316, p. 158:2.

Guard Those You Love—Give to Conquer Cancer!

Employment and Earnings of American Scientists

EDUCATIONAL INSTITUTIONS are the principal field of employment for the nation's leading scientists, according to a study, "Employment, Education and Earnings of American Men of Science," published by the Bureau of Labor Statistics, in co-operation with the Department of Defense. Private industry ranks second and government third.

Thirty-seven per cent of the scientists were employed solely by universities and colleges at the time of the survey, and an additional 13 per cent combined teaching with some other type of employment. The proportion of scientists working exclusively for private industry was 27 per cent and for government agencies, 14 per cent.

Salary levels of scientists with a Ph.D. degree were considerably lower in colleges and universities than in either government or private industry. Earnings were highest in private industry not only for the entire group of scientists but also for those in each age group, in every scientific field, and in every region of the country. For Ph.D.'s in all specialties taken together, the median salary in private industry was \$7,070 a year; in government, \$6,280 a year; and in education, \$4,860.

—*Occupational Outlook Summary* (U. S. Dept. of Labor) 12/3/51

Religion In Industry

IF YOU'RE A STAUNCH BELIEVER in the philosophy that religion and the shop should be kept separate, you may be surprised at the recent rapid spread of religion in industry.

The National Association of Manufacturers reports that 40 or more companies have appointed industrial chaplains. Moreover, a number of companies have found voluntary on-the-job religious services popular among employees. From 80 to 90 per cent of the Indianapolis Glove Company's several hundred employees jam the social room for a 25-minute service at noon each Wednesday. The Link-Belt Company's Ewart Works in Indianapolis has "standing room only" at its regular lunch-hour services. In Rochester, more than 300 Roman Catholic employees of Timely Clothes gather around a small altar every noon, while their Protestant and Jewish co-workers stand or sit in respectful silence at nearby machines.

Gerber Plumbing Fixtures Company's wirebound crate division in Plymouth, Ind., also has regular half-hour services once a week, and reports all of its 100-odd employees attend. Services are inter-denominational. Gerber feels the plan has improved production and employee-management relations.

—*Factory Management and Maintenance* Vol. 110, No. 1

New Company Booklet Clarifies Job Evaluation

"YOUR JOB AND ITS EVALUATION" is the title of an illustrated booklet distributed to all workers at the Marrero (Louisiana) plant of the Celotex Corporation.

The Celotex booklet neither "talks down" to the employee nor over his head. The copy is supported by clear-cut, simple illustrations, and there is plenty of white space on each page to make the reading easy for the employee.

Behind the booklet is a long, carefully planned and executed program, involving discussions with union representatives, the working out of job descriptions, review of each description by the worker and foreman, the classification and, finally, the write-up of each job. All along the route the employee is brought into the picture, so that when he finally receives the descriptive booklet, he feels he has actively participated in the program.

—*American Business* 2/52

CAN YOU GET IT FOR ME WHOLESALE?

WHAT WITH high taxes and inflation, it is not surprising that people shop pretty carefully today in an attempt to get as much as possible for their money. Some companies manufacturing consumer goods give their workers a "break" on their product cost-wise. Other firms attempt to help employees save money by referring them to wholesale houses where the company itself does business. Still other companies believe that the employee should be on his own when he is looking for a bargain. The following breakdown, based on interviews with several representative firms, shows how various companies handle the problem and may be of help in determining your own policy:

Company A: It is against company policy for us to buy products at a discount from other companies for employees.

Company B: The company takes no part in such transactions. However, there are employees in the plant who make purchases for fellow workers at a discount, but that's a personal arrangement.

Company C: The company does not help with employee purchasing problems. One of our buyers, however, who can get almost anything at a discount does help employees from time to time. Naturally the company is not involved in any of these transactions, but catalogues from discount houses are made available to workers.

Company D: If a worker wants a company product, he is given a note to

the warehouse where he gets a discount. We also provide tools to workers at a discount. The company does not enter into any transactions between any of our employees and another manufacturer. Our people can, however, get "courtesy" cards at the employment office to certain stores which sell at bargain prices.

Company E: The only way we help is by distributing courtesy cards that various firms leave with us for that purpose.

Company F: Employees may purchase our products at a discount. We do not help them get goods from other companies at below regular sales prices, however.

Company G: Sometimes our purchasing department refers visiting salesmen to office people. That's all we do in this line.

Company H: People in our purchasing department may help employees arrange discounts on certain items. If they do it's unofficial.

Company I: We do give out courtesy cards that are supplied to us by discount houses. Normally, however, when a worker wants to buy at a discount we refer him to the Activities Committee which tells him those companies from which it has purchased prizes, presents, and the like in the past.

Company J: Individuals in the company may refer employees to places where they can get discounts on their purchases. And, if an employee decides to start farming, we sell him farm implements at a discount.

—For the Informed Executive (The Associated Industries of Cleveland),
March 26, 1951, p. 2:1.

AUTOMATIC FOOD SERVICE via vending machines is on the upswing, according to a survey of the vending machine business by the magazine *Vend*. The number of coffee machines in use more than doubled (105 per cent) in 1951. For ice cream machines, the increase was 49 per cent.

M. J. MURPHY in *Factory Management and Maintenance* 3/52

Time Out for a Drink

WITH SUMMER HERE, the study General Electric recently completed on man-hours wasted in trips to the water cooler is particularly significant.

A typical example of such waste is in a plant where one cooler serves 60 employees, and the average distance for a drink is 130 feet. Cutting the average distance to 70 feet by more strategic placement of coolers would result in an annual saving of \$448 (based on a wage of \$1 an hour, four round trips to the cooler a day per person, 300 feet per minute walking speed, and 240 work days a year).

The study—and the cures—are summed up in a report, *New Way to Cut Wasted Man-Hours*, available gratis from General Electric, Air Conditioning, Bloomfield, N. J.

—*Modern Industry* 5/16/52

Company Policies on Payment of Civic Membership Expenses

SHOULD THE COMPANY pay membership expenses for employees enrolled in civic groups? A survey, participated in by 45 chapters of the National Office Management Association, was conducted recently to determine how various companies handled this problem. Here are some of the survey findings:

By a two-to-one majority, the reporting companies pay some part of the expenses resulting from employee civic group membership. (The civic groups referred to are organizations such as Kiwanis, Rotary, and Lions—not professional or fraternal associations.) The ratio does not hold throughout an industry breakdown of the 1,727 reporting companies, however. The transportation, communication, and public utility group, for example, reports seven to one on the "Yes" side; retail and service companies rank next, at three to one; and the professional and "other" groups are evenly split on payment. The remaining groups approximate the over-all average.

What percentage of the expenses do these companies pay? Almost three-quarters of the companies pay all legitimate expenses. The rest—28 per cent—pay only part, with dues ranking first at the full 28 per cent.

Companies were asked why they paid these costs. About one-third thought it was good public relations, 30 per cent saw it as an aid to leadership development, and 27 per cent felt it to be a civic responsibility. Good employee relations was a reason given by 13 per cent, and 9 per cent saw it as good advertising for the company.

Since the company pays membership expenses, it might be assumed that it decides what groups should be joined. This was found not to be the case; in almost two-thirds of the companies, employee interest governed. Eighty-two per cent of the companies, however, expect regular attendance at meetings of these civic groups.

—*Office Executive* 2/52

An average man aged 65 can expect

Year	—to live	—to work	—to be retired
1900	11 years	6 years	5 years
1950	12 years	4 years	8 years
1980	15 years	3 years	12 years

—*Popular Economics*

Also Recommended • • •

QUESTION FOR EMPLOYERS: WHERE ARE WOMEN WORKERS HIDING—AND WHY? *Business Week* (330 West 42 Street, New York 36, N. Y.), April 19, 1952. There is a shortage of female office workers in almost every business in the country. Yet here are the facts: (1) There are almost as many women working today as at the peak of World War II; (2) comparatively few plants are hiring women for men's jobs; (3) the Women's Bureau of the Department of Labor says there is no over-all scarcity of women workers. The answer to the paradox lies in a changing female-worker pattern—largely unrecognized and unaccepted by U. S. customs and traditions—which requires readjustment in thinking and acting on the part of many employers.

HOW IMPORTANT IS NATIONAL MULTI-EMPLOYER BARGAINING? By Jules Backman, *Personnel Journal* (245 Ogden Avenue, Swarthmore, Penna.), March, 1952. A good part of the public discussion dealing with unionism has centered about the dangers of "industry-wide bargaining." Usually the emphasis is given to national industry-wide bargaining (with John L. Lewis and the United Mine Workers in mind), and it is stated or implied that the area of such bargaining presents a growing problem. In this article, however, Dr. Backman analyzes current and long-term trends in industry-wide and multi-employer bargaining and concludes that its relative importance is clearly on the decline.

PRODUCTIVITY AS A STANDARD FOR WAGE DETERMINATION. By Robert E. Sibson. *Labor Law Journal* (214 N. Michigan Avenue, Chicago 1, Ill.), March, 1952. Should changes in national productivity serve as a basis for wage increases? The Wage Stabilization Board's approval of the "normal improvement" provisions in escalator clauses is based on the premise that national productivity increases at a given rate each year and that the real wages of all workers should bear a direct relationship to this increase. The author analyzes the factors affecting productivity and concludes that there is no economic justification for such a premise.

ALCOHOLISM: HOW ABOUT YOUR PLANT? By G. G. Carr. *The Iron Age* (100 East 42 Street, New York 17, N. Y.), March 27, 1952. Alcoholism costs industry at least a billion dollars annually; yet constructive action to combat it need be neither complicated nor costly. The author stresses the importance of education and facilities for early treatment, and lists six "don'ts" for management.

LABOR'S POLITICAL PR. By Martin Dodge. *Public Relations Journal* (2 West 46 Street, New York 36, N. Y.), March, 1952. Though the forthcoming presidential contest will probably not finally set the pitch for labor's political future, it may develop important evidence. How labor behaves politically in the year 1952—the techniques it employs, the devices it invents, and the media that it selects to sway the public—will offer a lesson, if not a revelation, to management. In the end, it may have a good deal to do with the kind of world we live in.

READABILITY OF UNION-MANAGEMENT AGREEMENTS. By Joseph Tiffin and Francis X. Walsh. *Personnel Psychology* (Personnel Research Institute, Western Reserve University, 314 Superior Avenue, Cleveland 14, Ohio), Vol. 4, No. 4. This article details the objectives, methods, and conclusions of a study made to determine the readability of union-management agreements. Most of these agreements, it was discovered, were written at a readability level requiring a high-school or college education. The authors, however, feel that these agreements can be simplified and that such simplification is necessary to make them a truly effective tool of sound industrial relations.

LECTURE VS. GROUP DECISION IN CHANGING BEHAVIOR. By Jacob Levine and John Butler. *Journal of Applied Psychology* (American Psychological Association, 1515 Massachusetts Avenue N.W., Washington 5, D.C.), February, 1952. A formal lecture method was compared with group decision in inducing 29 supervisors of 395 factory workers to overcome their biased performance ratings. The results showed that only the group of supervisors involved in group decision improved in their ratings. The lecture group did not change, and persisted in overrating the more highly skilled workers and underrating the less skilled. The conclusion was drawn that group decision is more effective than the formal lecture method in overcoming resistance to change in behavior.

PRE-EMPLOYMENT TESTS HELP REDUCE LABOR COSTS. By Beatrice J. Dvorak. *Mill & Factory* (205 East 42 Street, New York 17, N. Y.), April, 1952. The use of tests in the hiring process will cut training costs, result in a lower turnover rate, and help to increase production. Firms not equipped to give these tests, it is pointed out, can obtain help from the New York State Employment Service. NYSES's testing facilities and the development of an aptitude test battery are described.

WHAT'S WRONG WITH OUR OFFICE WORKERS?

"I JUST DON'T KNOW what's wrong with our office workers. We've never had such turnover in clerical personnel before," an executive remarked recently. "We have a good pension plan, our salaries are in line, we have liberal sick leave and vacation policies—still we have to fill some clerical positions two, and even three, times a year."

Executives all over the country are voicing similar thoughts these days. Some are inclined to rationalize the problem as a sign of the times. Clerical positions, they say, are relatively easy to find since office employees are currently in short supply in most sections of the country. They are, to a large extent, right; undoubtedly a part of the problem can be attributed to the times.

However, a major part of the problem must be attributed to a failure of office managers to recognize the changes that have taken place in the office over a period of years. Two important changes that exert a strong influence on the present rate of turnover are: (1) Today's office attracts fewer career employees than the office of 20 years ago. (2) Today's office has a larger percentage of repetitive, monotonous clerical jobs.

Let us examine briefly the history of these changes so that we can determine what can be done to counteract their effect.

Since the middle thirties, salaries for office employees in most companies have increased at a much slower pace than wage rates for plant employees. As a result, the office has lost much of its appeal to the young man who once started his career on routine functions and ad-

vanced over a period of years to a supervisory or executive position. Since a large percentage of these young men now prefer production or selling jobs to office jobs, the office has seen its one-time primary source of relatively permanent personnel gradually disappear. The majority of the young women who have, in recent years, replaced these men are not motivated as were their male predecessors by the potential opportunity of a career as a reward for outstanding performance. Primarily concerned with what their present, and perhaps only, jobs have to offer, these women require little provocation to start on the search for new jobs.

Also, in the past 15 years the offices of most companies have grown considerably. The heavy paper-work accompanying this expansion has fostered a wider application of production-line methods in the office which, in many instances, has materially increased the number of repetitive, monotonous clerical jobs. The inability of most employees to develop an interest in such jobs invariably makes other pastures look greener, particularly when jobs are easy to find.

These are but two of the changes that have gradually transformed the office and have created the conditions that currently contribute to high turnover. They serve to indicate, however, that the situation calls for a new set of ground rules. Since the office worker of today is primarily concerned with the present, today's job must stand or fall in its own merits.

People generally like to do those things they do well, and office employees are no exception. Therefore, keep the job simple so that an employee can master it in a

relatively short time. With proficiency he gains an inner security which decreases the likelihood of his seeking a new position.

People generally like to do those things that hold their interest. While it is not always possible in an office to assign everyone a job that could be classified as interesting, many repetitive, monotonous clerical functions can be made less distasteful. For example, one firm was disturbed by the high turnover in the billing department. Steady typing of invoices from morning to night, day after day, did not appeal to many employees for very long. Recognizing this deficiency, the company changed the job content. Now during the last hour and a half each day, the billing clerks complete the processing of the invoices they typed that day. They distribute the copies, prepare the invoices for mailing, establish dollar billing controls, and correct errors. In any remaining time at the end of the day they start on the next day's work. The net result has been a substantial reduction in turnover without any loss in over-all production.

People like to feel that the things they do are important. When an office worker believes the work he or she performs serves an essential purpose and is recognized as an important function by others, his job satisfaction and interest increase and he is less likely to grow restless. One company had installed one of the so-called "bookless bookkeeping" plans on accounts receivable. This plan, under

which invoice copies were filed and matched with subsequent cash remittances, eliminated the need for the usual accounts receivable ledger. Several groups of clerks shared the work of maintaining the records. One group was responsible for the controls; another, for filing the invoice copies by customer; another, for handling and applying cash remittances; and a fourth, for preparing statements and handling collection follow-up. The installation was not progressing satisfactorily for the age-old reason that everybody's responsibility is nobody's.

To get the installation back on its feet, the company radically revised job assignments. It divided ledger controls into several groups and placed a group leader in charge of each. The group leaders were each assigned several clerks, whose activities were limited to the complete maintenance of an individual group of ledgers as it applied to filing invoices, applying cash, preparing statements, and running trial balances. Each clerk was now responsible for a specific task against which both she and others could measure her accomplishments, and each group leader, in turn, was responsible to the central control group, with whose figures those of the individual groups had to balance. The improvement by the end of the first month was surprising. There was not only a significant increase in job satisfaction, but accuracy increased to the point where the month-end overtime previously required for balancing was entirely eliminated.

—HORACE G. CROCKETT. *The Office*, February, 1952, p. 48:4.

MORE PEOPLE TALK MORE: The United States has an average of more than 28 telephones for every 100 persons—more than nine times the world average. In the past half century, the number of telephones in the world has increased more than 30 times. The world population has increased in that same period by only 50 per cent. In the 365 days of 1950, Americans held an average of more than 370 conversations per person.

—*Popular Economics* 4/52

ALL'S FAIR IN STENO RECRUITMENT: HOW COMPANIES ARE BEATING THE STENO SHORTAGE

THE OLD saying that anything is fair in love and war might have to be revised to include the recruitment of stenographers. The shortage is so acute in some areas that employment agencies are calling up switchboard operators in offices where they suspect employee relations are below par to get a line on any girl who might not be too happy about the size of her pay check, or who doesn't like the way the boss talks!

Formerly most women in business offices were stenographers. Today there are so many other clerical jobs available, requiring little or no experience or special training, that many women believe it is hardly worth while to learn a skill such as shorthand. And a look at the difference—\$1.87 a week—between average salaries paid to typists and to stenographers would seem to confirm their belief.

While offering financial incentives and increasing production per worker are long-term projects that will lessen any future help shortages, many stopgap measures have also been put into effect. Remedies range from setting up stenographic training programs, as have Montgomery Ward and du Pont, to upgrading typists, tooling up the office, and simplifying letters.

Montgomery Ward & Co. has set up a unique secretarial training program to get the type of secretary it wants. Counselors at public and parochial schools are contacted and interviews are arranged with prospective graduates interested in this training. Girls are selected on the basis of their school records and scores on intelligence tests.

Trainees go to school a half day, work a half day, and get paid for a 40-hour week. Girls who have had commercial

training take an eight-week course, while those with little or no business training attend classes 16 weeks. The course stresses typing, shorthand, grooming, and business etiquette. Students are given their own copies of *Ward's Stenographer's Handbook*, hear a company organization lecture, see slides on phone manners, and learn phraseology peculiar to Ward's. This training program has in some cases helped girls increase their shorthand and typing speed as much as 50 per cent.

Du Pont also uses a training plan to overcome the shortage. At present there are 118 girls working in teams of two in this "earn while you learn" program. High school graduates, chosen on the basis of aptitude and scholarship, split their day between an outside business school and the nearby du Pont office building. While in school the trainees receive \$30 a week or about \$130 a month. Successful completion of the 40-week course brings a steady job in du Pont's stenographic pool, with a salary of \$189 a month.

An interesting feature of the plan is that each student pays the \$400 school tuition herself. After finishing the course and working at du Pont a year, the girl recovers half the tuition. She receives the balance after her second year. The time spent in school is added to her seniority credit.

Other companies have called upon outside help to combat the shortage, especially where peak loads come regularly. These firms depend on service organizations to supply temporary workers or to handle overloads.

Increasing output of present employees also helps to combat the shortage. Du Pont helps typists and stenographers in

crease their speed through a 20-minute practice period each day. Developed and also used by Remington Rand, Inc., the plan upped typing speed about 55 per cent. (Remington Rand will be glad to supply samples of this practice material to interested readers.)

Mechanization can also help to solve the problem. One company installed electric typewriters, enabling four girls to do what formerly required five people. Electric typewriters can save from 10 to 40 per cent of time spent on copying, stencil work, statistical reports, and other kinds of work requiring many copies. An electric typewriter on a functional desk, used

with a posture chair and a copyholder, are an unbeatable combination for overcoming fatigue and upping production. Moreover, modern equipment attracts efficient people.

A good long look at the way correspondence is handled within the firm may uncover other ways to save time and work. For example, a Los Angeles executive made a 20 per cent saving in stenographic time by starting a drive to "say it in fewer words, but keep it friendly." Within two months, four typists were doing the work which previously required five.

—MARILYN FRENCH. *American Business*, Vol. 22, No. 1, p. 36:2.

CAN YOU DEFEND YOUR OFFICE COSTS?

CAN you defend your office costs? Though the growth in complexity of operations has gained added recognition for the office as the control center of business, top management will continue to challenge the office executive with this question. And to support his requirements for office dollars, the office executive will have to present sensible and defensible answers.

What comprises office costs? These costs derive from four major areas: (1) procedures, (2) forms, (3) machines, and (4) people.

Procedures. Included under this heading are such items as statements, cash discounts, records control, order entry, billing, and correspondence.

In the days before the use of complex office machines, each new task was carefully considered before it was given to the already overburdened clerks. Today these machines have simplified record-keeping and other ordinary tasks to such an extent that we often neglect to analyze

the long-range value of an added job; we seldom stop to realize that a task which takes five minutes a day consumes more than 20 hours a year.

When requesting the addition of a new report, a new job, or a new record, we should ask ourselves these three questions: (1) Why should this be done—what will it accomplish? (2) How should we do it—can it be simplified in any way? (3) When should we stop doing it—where is the point of no return?

This third question is especially important—when should we stop doing it? Thus, though reports are necessary, periodic checks to ascertain their usefulness are still more necessary. When in doubt, the best way to determine a report's worth is to drop it for a week. If it is an important report, someone will be screaming for it before the week is out.

As for cash discounts, there are definitely several disadvantages to the practice. Here are just a few: (1) Interest

rates cannot justify the "2 per cent—10 days." (2) Special checks are necessary. (3) Ill will is often incurred through failure to allow the discount. (4) Extra journal entries and correspondence are required. (5) Cash discounts increase the cost of accounting operations. If this practice were discontinued, considerable savings would be achieved and the burden of the accounting department lightened.

Forms. The sad thing about forms is that they continue to be used, even though they may be obsolete in appearance and information, time-consuming in preparation, and worthless after completion. Question your form design and then make changes. Can the form be eliminated? Can it be combined successfully with another? Can it be improved in any way?

Perhaps a form design man—someone who can analyze the actual value of each form used and who can see the way to eliminate some, improve others, and combine still others—would save your company money. If you don't want to employ a form design man, what about approaching your own workers for suggestions? Some of them may have latent qualities that you will never discover if you don't encourage them to express their ideas.

Machines. A careful study of the use of office machines might reveal some startling facts. For example, you might

discover that calculators were being used where slide rules would suffice. On the other hand, you might find that a high-priced accounting machine would eventually replace three people. Use the machine best suited for the purpose. It will be the cheapest, regardless of the original purchase price.

It is also advisable to keep in touch with your office equipment suppliers. Startling discoveries are sure to come to your attention in one way or another, but small developments are the ones you must watch for yourself.

People. In a recent survey, it was found that, on the average, \$188 to \$350 is invested in the average clerical worker before that worker is really in production. It is clear that a rapid turnover could play havoc with office costs. Therefore supply your office with high-quality personnel and then work diligently to keep them.

Personnel office cost savings can be effected through (1) a flow chart to show the nature and sequence of operations; (2) detailed job descriptions for use in personnel selection, training, evaluation, and salary determination; (3) the development and assignment of time values per operation; (4) monthly reports on the number of personnel, whether too many or too few. The records indicate that companies following this schedule of steps have effected average savings of about 20 per cent.

—W. MILLER BENNETT. *The Bulletin* (Office Management Association of Chicago), April, 1952, p. 11:6.

Tips for Better Filing

THE INABILITY to find what has been filed is a common office ailment. But unlike the common cold, the cause and cure are well known. Miss J. Stroben, systems division manager of the Globe-Wernicke Company, has this to say on the subject of filing problems:

"Lots of things may be responsible: inadequate indexing system, inefficient filing methods, poorly-trained clerks, too many people having access to the files. But

when you come right down to it, the basic reason is that people underestimate the importance of filing in office routine."

If filing is not centralized in your company, and if you're responsible for your own filing system, you may be interested in these tips by Miss Stroben:

1. A maximum of 20 to 25 letters in one folder gives greatest efficiency.
2. There should be a guide for approximately every six to eight folders.
3. Letters in folders should be arranged chronologically, the most recent on top of the heap.
4. When removing folders from the file, grasp them by the side or the center, never by the tab.
5. Collect materials from desks of employees at regular and frequent intervals.
6. No one should be permitted to hold on to letters and other file material on the plea that he will be using them again within a few days.

—*Supervisor's News Service* (Bureau of Business Practice) 2/18/52

Clerical Burden—Management's Achilles Heel

THE TREMENDOUS EXPANSION of business during the past century, coupled with the effect of legislation, has resulted in a vast increase in the volume of accounting records and related clerical procedures.

The progressively serious growth of the clerical burden is illustrated in the statistics published by the U. S. Bureau of Census, setting forth (by 10-year periods) the number of employees engaged in clerical tasks, per million of population, as follows:

<u>Year</u>			<u>Year</u>		
1850	4,369		1900	20,793	29% Increase
1860	5,933	36% Increase	1910	30,317	46% Increase
1870	8,065	32% Increase	1920	41,256	33% Increase
1880	10,690	36% Increase	1930	56,100	36% Increase
1890	16,117	50% Increase	1940	83,900	49% Increase
			1950	102,000	—

This ever-increasing clerical cost is a major contributor to one of management's most pressing problems—the constantly rising cost of manufacturing and marketing today's product. Note that the smallest increase during any 10-year period has been 29 per cent. Is it any wonder that we call this cost "Clerical Burden"?

—*The Bulletin* (Office Management Association of Chicago) 11/51

Pneumatic Tube System Speeds Paper Flow

AN AUTOMATIC, selective, pneumatic tube system is being used to expedite the flow of papers and metallurgical samples between stations located in the mills and office buildings of a Bridgeport Brass Company plant.

A notable feature of the new system is a special selective dial on the carrier which permits the sender to forward his message or article to any one of nine stations in the plant without the intervention of an operator or a central dispatcher. It is this "sixth sense" that makes the new system so radically different from conventional, manually operated installations.

Here's how this device works: On each of the carriers are two rings stamped with the numbers zero to nine. These rings are adjusted to the number corresponding to the receiving station. The carrier is inserted in the tube and travels by vacuum through the sending line to the automatic central installation, or transfer-control point. While en route, "electric fingers" pick up the dialed number and flash it

to the central station. Here the relay panel, or "brain," of the system reads the signal, actuates the appropriate switches, and immediately speeds the carrier through to the correct outgoing line and station. The relay panel, in addition to determining the course of the carriers, provides the appropriate space interval between traveling carriers and also flashes alarm signals should a failure occur in any part of the system.

—*American Business* Vol. 21, No. 11

Also Recommended • • •

HOW TO PLAN AND CONDUCT A METHODS SURVEY. By Victor H. Roman. *Office Management and Equipment* (Andrew Geyer, Inc., 212 Fifth Avenue, New York 10, N. Y.), March, 1952. A review of methods and systems as they are applied to the day-to-day operations of an accounting and clerical organization. Hasty, makeshift arrangements often result in awkward, time-consuming, and costly operations, and more on-the-job methods work is definitely needed in this daily routine. The author presents a detailed outline of how to plan and conduct an office methods survey and includes a form designed to represent a typical assignment.

MUSIC IN THE AIR—NEW STYLE. By Robert F. Finegan. *Office Management and Equipment* (212 Fifth Avenue, New York 10, N. Y.), May, 1952. More and more offices are following the example of banks and factories and using background music in its new FM radio form, this author points out. He describes the development and operation of the system and details its advantages, which include a reduction in fatigue and office gossip and better management-employee relations.

FACTORS INVOLVED IN OFFICE DESIGN. By Homer B. Harrison. *Office Executive* (132 West Chelton Avenue, Philadelphia 44, Penna.), February, 1952. The author tells how good lighting, selection of the right color schemes, sound control, air conditioning, and judicious use of partitions can improve office living and thus increase production. Of these, improvement of lighting facilities is the most important, we are reminded, since—in addition to preventing eye-damage—it reduces error, increases work output, and improves morale.

WHAT SMALL BUSINESS SHOULD DO ABOUT MANUALS AND METHODS. By Louis J. Kroeger. *Systems and Procedures Quarterly* (Box 96, Madison Square Station, New York, N. Y.), March, 1952. No business is too small, says the author, to be without a description of its procedures; otherwise it may be thrown into chaos by the unforeseen absence of an employee who handles a number of small but

important details. Many business men fail to realize that, proportionately, failure to plan procedures properly in a small business can mean just as much in cost of paper, in transportation costs, in manpower costs, in processing time, in filing cabinets, and in building space, as it does in a large concern.

OFFICE HYGIENE. By Milton Reitzfeld. *The Office* (270 Madison Avenue, New York 16, N. Y.), May, 1952. Personal health is one of the most important factors in a successful business organization; it's as necessary in an office as in a factory. The author lists the following minimum prerequisites for a healthy office: clean and properly arranged premises, adequate and clean restroom facilities, drinking fountains, proper illumination, adequate heating, good ventilation, minimum noise, free medical service, safety programs, and provisions for fatigue reduction.

RATING STENOGRAPHY BY MACHINE. By Marcia Boynton. *Public Personnel Review* (Room 456, 1313 East 60 Street, Chicago 37, Ill.), April, 1952. A new procedure which permits the machine rating of stenographic tests has recently been put into use by the U. S. Civil Service Commission. This procedure measures clerical accuracy, as well as stenographic ability, and has the advantage of rapid scoring. Since the procedure is still in the experimental stage, the Commission will welcome the cooperation of outside personnel agencies which will use it and make their results available.

HOW FAR AWAY IS THE AUTOMATIC OFFICE? *The Office* (270 Madison Avenue, New York 16, N. Y.), May, 1952. A wide gap still exists between present-day electronic computing techniques and their successful application to the handling of routine clerical operations. This article describes some of the problems involved in developing the use of computers which have delayed their widespread application. It predicts, however, that as the adoption of the automatic office gains momentum, it will be the basis of one of the major changes in human society.

Manufacturing Management

TECHNOLOGICAL TRENDS IN THE FACTORY OF THE FUTURE

PLANTS IN THE future will be much more automatic than they are today. Automatic production can already be seen in the process and mass production industries, and, if the concept of automatic operation were widely accepted, would develop rapidly in other industries as well.

Of course, completely automatic factories cannot grow overnight; in some industries, we may never have them. However, regardless of your industry and whether you can make operations automatic or just improve your methods, a knowledge of new technological developments and their application in industry should be helpful. Here's what you can do with new production equipment and methods:

Combine several operations into one. A machine developed by the Cleveland Tank Plant of General Motors' Cadillac Division is an excellent example of the trend toward combining operations to speed production. It has 10 grinding heads which operate independently, but simultaneously, in grinding selected spots on tank hulls. This special machine reduced investment in equipment, cut manpower requirements, saved space, reduced in-process inventory, and speeded output.

Where do you get such machines? The frame of this particular machine was custom-built. But the electrical, mechanical, and hydraulic components are standard equipment, adapted to the purpose.

Help on standardization of components can be obtained from the Joint Industry Council. JIC standards give specifications

for applying electrical, pneumatic, and hydraulic devices to machine tools. These specifications enable you to obtain standardized machines and installation without specifying details.

Combine operations into a continuous process. Nash-Kelvinator Corporation, Detroit, has accomplished this with a transfer machine which combines machining operations on compressor castings. The machine converts 24 operations into one big job.

Designed to produce 188 pieces per hour at 80 per cent efficiency, it consistently processes more than 200 per hour. Quality? It scraps only one or two pieces a week! There's very little tool breakage. Breakdowns are rare. Four operators, selected from the workforce and trained by supervisors who had worked with the builders' men, control all 24 operations.

Extend preventive maintenance to your tools. A unique plan has been developed by Ford Motor Company: A tool control board is used in its new Cleveland engine plant for preventive maintenance. The board stores tools and automatically records life of tools in operation in multi-station transfer machines. Pre-set counting dials equipped with automatically operated lights signal warnings to the machine job setter when a particular drill, reamer, or tap requires changing. This new method of tool control avoids costly shutdowns of machines, reduces tool breakage, and improves quality of machining work.

Make low-volume but repetitive operations automatic with profiling machines. With a profiling machine, you make one

master part (sometimes two—one for rough cut, one for finish). A "tracer" device moves along the profile of the master. The machine follows the same path as the tracer, duplicating the part. This method is coming into use in metalworking, but it can also have wide application elsewhere.

Through use of these machines, output can be greatly stepped up, set-up time reduced, and rejects from undersized parts eliminated.

Make job-lot production automatic with robot machines. Control devices that will respond to electronic signals can be applied to any general purpose machine tool. One way to get these signals is to punch holes in tape—with the holes corresponding to the dimensions of the part you want to machine. When you run the tape over an electronic "sensing" device, the machine tool operates in such a way as to produce the exact part "described" by the holes in the tape. One advantage of this method is that the time required to punch the tape is less than the time required for a skilled machinist to produce a "first part" working from blueprints. Also, once the tape has been punched it can be filed away for future use.

Run machines at higher speeds. To do this you'll have to question—and perhaps discard—traditional rules of thumb about the materials you're working with. In metal-working, for example, the new approach to determining optimum machining rates is based on the microstructure (the grain structure as seen under a microscope) of the metal you want to cut—not on the traditional analysis or hardness.

Data presented in the Air Force Machinability Reports for 1950 and 1951 show the relationship of machining rates, tool life, and microstructure. They cover

cast irons, nodular irons, and construction steels—also some jet-engine alloys and stainless steels. With these data, and the cooperation of the metallurgist and product designer, the production supervisor can find the best machining rates and tool life for products. He may also find it desirable—and possible—to change material specifications and heat treatment to provide a microstructure of better machinability.

Increase production. To increase production you'll design new processes—not just speed up traditional ones. IBM, for example, took a new approach to the leveling or straightening of flat steel parts. Result: A specially built roller leveler does the work 10 times faster than the old method of hammering.

Redesign your product for ease of manufacture and upkeep. The printed circuit is a good example of the type of design change that simplifies both product and machine component. In an electronics plant, for instance, the use of printed circuits reduced one assembly from 99 to 20 parts and eliminated a considerable amount of handling, assembly, and soldering.

Produce small quantities at lower cost. You'll always have to make some products in small quantities, but "new-approach" methods can result in savings. For example, die costs can be cut by using rubber in suitable form to replace the female die.

Boost employee output through conversion from batch process to continuous flow. It's not always the product that limits the method to a batch system; sometimes it's the inability to conceive and execute the idea of continuous flow. One example of an effective continuous flow process is that used by Simonds Abrasive Company, Philadelphia, in curing resinoid wheels. Three steps—con-

trolled heating, soaking at even temperature, and controlled cooling—are required in the process. The new method uses only one oven, with three zones separated

—*The Factory of the Future*. 96 pages. 50 cents (reprinted from *Factory Management and Maintenance*, April, 1952).

by automatic doors. Cars, on tracks, carry the wheels in a continuous train through the oven. Automatic controls open the doors within the oven.

ELIMINATING THE NOISE HAZARD

TO THE LONG LIST of occupational disease and accident problems has been added another problem, that of noise. To determine whether or not it constitutes a problem in a particular plant, it's necessary to know something about the nature of noise, how it can be measured, and the level at which it becomes a hazard.

What is noise? Noise may be defined as "unwanted" sound.

Intensity or loudness of noise is measured by a sound-level meter, more commonly called a noise meter. The unit of sound measurement is the "bel," or more conveniently, the "decibel" (one-tenth of a bel). A level of zero decibels represents roughly the weakest sound which can be heard by a person with very good hearing. The level produced by ordinary conversation is 60 decibels; that produced by a subway is 100. Although the point at which noise becomes injurious is still disputed, some authorities agree that damage to hearing is likely to occur at noise levels above 90 decibels.

To determine whether or not noise is a hazard in a particular plant, the various plant operations should be tested with an approved sound meter and a record of the noise level made by departments—that is, the noise level which is more or less continuously present, not high intensity noise which may occur from time to time.

In the absence of a sound-level meter, an approximate idea of the noise intensity may be obtained by walking through the

plant with another person having normal hearing while trying to carry on a conversation. If shouting is necessary, the sound level is usually higher than 90 decibels.

Factors other than the actual intensity of the noise which must be considered in determining if noise is a hazard are: the total length of exposure; the length of exposure per period; whether the sound stimuli are continuous or interrupted; the length of interruptions; type and space of environment with reference to reverberation; and age of worker.

How can noise be controlled if the sound-meter test and an examination of the other factors indicate that it has reached a level that may be injurious?

Engineering control is one way of eliminating the noise hazard. Good design of facilities, for example, can control noise at its source. Substituting a less noisy operation for one that produces a high level of noise is another method of control. For example, spot, arc, or flame welding may be substituted for riveting in specific operations. Noise can also be controlled by using resilient mountings for heavy machines and by treating ceilings and walls with sound-absorptive materials.

There are some instances where, despite engineering control, the noise level may still be too high because of the nature of the industrial operation. It is necessary in such cases to protect the op-

erators with properly designed and fitted ear defenders which will reduce the intensity of the sound reaching the hearing mechanism. This is as necessary for the protection of ears as is the use of safety goggles for the protection of the eyes.

Several types of ear defenders are commercially available. One of these is the muff-type, of which there are two designs. One consists of a spring headband to which is attached a pair of muffs constructed of plastic and sponge rubber, which fit over the ears. The other also consists of a spring headband, but attached to this are a pair of soft pliable plugs which fit inside the ear canals. The plugs are lubricated before insertion.

—E. G. MEITER. *National Safety News*, April, 1952, p. 39:4.

Techniques for Interesting Employees in Safety

UNFORTUNATELY, there is no "one way" to safety education. Every company which has succeeded in keeping its accident rate down has been able to do so only through a planned, deliberate program which hammers away at the same theme workday in, workday out.

Sometimes it's necessary to adopt a "get tough" attitude. For example, at Coleman Co. (Wichita, Kansas), where safety violations were on the increase, management adopted a "Safety Warning Notice" which it issued to employees observed committing a specific safety violation. The notice warned the employee that any repetition of this or any other safety violation might result in suspension or discharge.

Another safety device with a lighter touch is the slogan. To be really effective, however, slogans must be changed and sparked every so often. A safety slogan on a bulletin board or in a pay envelope becomes quite stale after two weeks. You can, of course, always "grow your own" by running a periodic safety-slogan contest and offering cash awards for the winners.

No safety program is worth its salt unless supervision is in there punching. Foremen meetings on safety are, of course, routine procedure in every company that takes accidents seriously. Firestone Rubber (Akron, Ohio) also makes it a rule that every foreman talk to each of his workers on some aspect of safe practices—once a month. This must be done on an individual, not a group, basis. To keep foremen on their safety toes, the company requires each supervisor to file a monthly report indicating that he talked to his people and the subject covered.

—*Employee Relations Bulletin* (National Foremen's Institute) Report 304

DISPERSAL of major U. S. metropolitan centers to minimize bomb damage would require more than a decade of work by our entire construction industry, a Twentieth Century Fund report points out. For the present emergency, we need dispersal of some key activities, thorough organization of civilian defense, and development of alternative facilities for the most critical production and transportation bottlenecks.

WHO'S OUT IN FRONT?

AT THE ALLISON DIVISION of the General Motors Corporation a Quality Competition Program has been organized to develop a spirit of friendly competition toward the production of high quality products.

The program has been set up in such a way that each department tries to run up the highest score of points—out of a total of 1,000 possible points. These points are divided among the following factors, the weighted value of which is indicated parenthetically:

Good Housekeeping (30 per cent): Cleanliness, orderliness, safety, and efficient use of working time are rated twice each month by "inspectors." Departmental foremen take turns making these inspections.

Efficiency (25 per cent): Reports from the Accounting Department reflect actual hours of production compared with the standard hours minus scrap hours.

Controllable Expenses (35 per cent): A specific number of points are awarded if a department's budget does not go above the forecast made at the beginning of the year. Points are also awarded for additional savings in expense and labor.

Punctuality (10 per cent): Points are

—*Management Information* (Elliott Service Co., 30 N. MacQuesten Parkway, Mount Vernon, N. Y.), April 28, 1952, p. 2:1.

awarded on the basis of the ratio of late or irregular "punches in" and absences to the total number of employees in each department.

All production and non-production departments participate in this competition. To insure equitable competition, a "handicap" system on the awarding of points is applied. This takes into consideration the number of employees, floor area, and type of equipment in each department.

The monthly standings of all departments are posted on bulletin boards throughout the plants. A large trophy is placed in the winning department until another department becomes a winner. In addition, certificates and prizes are awarded to members of the winning department.

Here are some of the benefits resulting from the program: (1) Plants are kept more orderly and cleaner. (2) There has been more employee interest in accident prevention. (3) Absenteeism has greatly decreased. (4) There has been considerable reduction in scrap losses. (5) Costs and expenses have been kept under better control. (6) Quality of products has been maintained at high levels.

The Electronic Revolution in Industry

A DAZZLING ARRAY of electronic gadgets and devices has been developed for industry, and enough parts are piled up to spark a new industrial revolution when (and if) the world situation permits the economy to loosen up.

Industry has already been given devices which will measure speed, thickness, weight, transparency, and color far more efficiently than hitherto. Thus, in today's plants, thick metal castings can be inspected for internal flaws, while delicate folding, packaging, and printing controls are now being made completely automatic.

A great aid to industrial operations with far-flung or widely dispersed units is the development of microwave channels. Using extremely short-waved signals between line-of-sight stations, these channels can provide radio, facsimile, or even televised views of remote functions. Already in use are closed-circuit television

units showing medical operations, and three-dimensional stereoscopic television which aids the remote handling of "hot" radioactive materials.

Facsimile equipment which instantly transmits the printed page will also make wide use of microwave channels. The Oak Ridge (Tenn.) Atomic Energy Commission library uses the facsimile system for quick distribution of books and drawings to outlying labs across the country. And recently the Alden Products Co. of Brockton, Mass., demonstrated a desk-top facsimile set for transmission of messages and blueprints within spread-out plants.

Probably the most unbelievable development of all is the electronic computer. These room-sized machines daily solve problems that might keep a small army of mathematicians busy for generations. One of the latest of these brains, "Whirlwind I," was built at M.I.T. and is reputedly capable of performing 15,000 calculations per second! The "Typhoon," a 4,000-tube computer built for the Navy by RCA at a cost of \$1.5 million, saved the government \$250 million on a single project by simulating the test runs of guided missiles before they were ever built.

First cousins of the computers are electronic bookkeeping machines, already on the market. When "integrated" further, units now in use promise to make business recording almost completely automatic.

The recently-demonstrated "Flying Typewriter" will set down 25,000 characters a minute—and, incidentally, will break the bottleneck in the "answer-end" of computers, which so far find answers faster than they can be set down.

The electron microscope has opened up new worlds with magnification up in six figures. Batteries of technical equipment, such as spectrophotometers, tachometers, color analyzers, mass spectrometers, and differential analyzers are speeding research along at an unprecedented pace.

—New England News Letter 5/52

Camera Speeds Machines

EASTMAN KODAK CO., Rochester, N. Y., is taking a leaf from the book it reads to its customers. It uses a fast camera to get split-second movies of its machinery in action.

As a result, Eastman is coming up with better machines. The films put the finger on wasted motions of an operator and the awkward controls of a machine. The engineer can then improve design for faster, cheaper production.

The camera uses what is called micro-motion; it operates at a speed slightly higher than that of home and commercial cameras. This makes the motions look a little slower on the screen.

The projector has a frame-counting device and a reversing switch. An engineer can thus time each motion of an operator in thousandths of a minute and then double-check the motion by retracing the film. After a few long looks, the engineer transfers his findings to a two-column chart, representing the operator's right and left hands. The chart breaks down the motions and the time they take. The engineer checks the number of motions against the time required to make one part. He measures these results with the yardstick of a theoretically perfect machine.

If the engineer decides that one costly motion can be eliminated by some jig, fixture, or semi-automatic control, he sketches a replacement. Often four or more designs are worked out for the same motion. A comparison of these, and their possible variants, shows which is the best in terms of design, labor, and production.

Applying this technique to one machine, Eastman boosted its output by nearly 400 per cent.

—Business Week 3/1/52

WE HAVE ALMOST 10 HORSEPOWER working for each of us around the clock every day. When this is compared with an average man's output of one-tenth horsepower, we find that engineering developments have increased man's output at least 100 times.

—Steel 2/19/52

A RUN FOR YOUR MONEY

LAST YEAR SAW industry's greatest inventory expansion in history—\$8.6 billion—bring manufacturing inventories up to over \$41 billion. Studies have shown that many companies, through good inventory control, can reduce stocks 20 per cent without affecting production. This suggests that plants may be carrying over 20 per cent of \$41 billion—or more than \$8 billion—worth of "excess" at annual carrying charges of up to \$2 billion. More arresting than the carrying charges, however, is the likelihood that this tremendous cushion of material will be consumed by uneconomical production runs.

A survey of the situation points up three facts: (1) Plants in short supply needn't schedule low, costly runs. (2) CMP-favored plants, relatively free of shortages, can maintain or even increase production runs by tighter scheduling, *without* raising inventories. (3) Plants in either situation (excepting those with primitive inventory controls) can get better production runs with less complicated routines.

Riverside Metal Co., New Jersey, suffering from a dearth of materials, has found a way to eliminate low, costly runs. A stock-control system instituted a few years ago provided for establishment of stock points at strategic "reducing" or "drawing" points throughout the mill. Since orders for most alloys could be processed from the nearest stock point, it was no longer necessary to have them originate in the casting shop, or to maintain a gigantic inventory of finished materials. This system is still showing its worth today, when the firm has virtually no inventory to control.

Because of present shortages, however, there are little or no alloys stored at stock points. Customer orders are therefore issued in red tickets against alloys nor-

mally kept at the various points of fabrication. When the orders mount to a level which equals an economical run, the required materials—if they're on hand—are routed to the casting shop and a run started.

The setup, therefore, is still production-line style—large runs, standard processes, low setup time, simple computation of wage incentives, full machine loadings. The big disadvantage, of course, is that the customer has to wait the full cycle for his order. The paper-work requirements of the system, however, are light, and full-scale production runs see to it that accounting routines are down to the bone.

A new production setup at Lincoln Electric Co., Cleveland, a firm relatively unaffected by shortages, has enabled the company to raise its production rate by 50 per cent without increasing inventories. These are the principal features of the new system:

The plant has no stockrooms and straight-line production is used. Raw stock and purchased parts enter at one end of each production bay and are carried by overhead crane to their spots along the conveyORIZED assembly lines. Bins of materials are the responsibility of an area stockman whose concern is maintaining "low balance."

The very elimination of stockrooms and stocking personnel, the fact that production men are involved in no inventory paper work, and the elimination of inspection stations (operators are their own inspectors) make the arrangement simple. Moreover, pilferage is practically nonexistent because it would soon betray itself right on the production line.

Both plants suffering from shortages and CMP-favored plants can benefit from simple, well-oiled routines. There are dozens of efficient accounting systems

which can be used to minimize complications. Many of these can remote-control the inventory setup from behind an office desk—without the painful hand entries that consume so much time and make schedules so sluggish. IBM posting, punching, and calculating machines, for instance, can be used to keep track of parts made, scrapped, delivered, on balance; parts scheduled for procurement; capacity, loading, and efficiency of all machines; requisitions for material (which are automatically written and which automatically prepare back-order quantities); material

movement; and turnover of inventory. Other factual data which can be mechanized are sales analyses of products, finished-goods inventories, assembly schedules, work-progress reports, tool transactions, and labor records.

Posting and processing this information have been known to form a major part of inventory carrying charges, costing up to 25 per cent of the value of the stock itself. Mechanized systems, though admittedly expensive, can slash these costs to a fraction.

—*Modern Industry*, March 15, 1952, p. 40:3.

How to Reduce Shipping Losses

TWO HUNDRED AND FIFTY MILLION dollars worth of goods manufactured by American industry are going down the drain annually because of loss or damage during shipment, Henry H. Pratt, General Traffic Manager of Crucible Steel Company of America, pointed out in an address before the American Material Handling Society. He attributed this tremendous loss to inadequate packaging and protection of products, incorrect and illegible marking, improper handling, and negligence on the part of both shipper and carrier.

A threefold attack recommended by Mr. Pratt for achieving reduction of losses involves:

1. Closer cooperation between shippers and carriers, based on the mutual understanding of each other's problems and responsibilities.
2. Development of more effective methods of teaching workmen in industry and carrier organizations the necessity for improved packaging and handling techniques.
3. Closer supervision of workmen, especially on the part of carriers who employ fewer supervisory employees per number of workmen than industrial organizations.

A plan in operation at Crucible shows what the individual company can do. A special committee of plant supervisors is charged with the responsibility of developing, activating, and controlling all practices relating to packaging, including protection, marking, and securing of products. As a result, the company, which makes over half a million shipments a year, now moves \$30,000 worth of merchandise to the consumer for every dollar filed in loss or damage claims.

—*Packing and Shipping* 2/52

GOLD STANDARD: A seven-year cooperative engineering project, jointly financed by General Motors and Chrysler Corporation, will soon make available to industry a radically new standard for measuring surface roughness on machined parts. The project has resulted in the development of a set of "Precision Reference Specimens of Surface Roughness" on pure gold master blocks. "As a result," say the cooperating companies, "uniform precision in surface roughness measurements, accurate to one-millionth of an inch, will now be possible for the first time in factories, shops, and engineering laboratories throughout the country."

—*Commerce* 3/52

Also Recommended • • •

25 PER CENT MECHANICS—75 PER CENT HUMANICS—THAT IS WHAT MAKES A FIRST CLASS TIMESTUDY. By Phil Carroll. *Manufacturing and Industrial Engineering* (73 Richmond Street West, Toronto 1, Canada), March, 1952. The author discusses what makes a good timestudy, both from the mechanical standpoint and from the point of view of employee acceptance. Of the two, winning employee acceptance is the more important, and the degree to which it has been attained and the success of the program itself can be measured, the author points out, in terms of whether employee incentive earnings are satisfactorily high under the system.

THE ECONOMICS AND PROBLEMS OF MACHINERY REPLACEMENT. An address by Geoffrey G. Beard before the Society for The Advancement of Management. Available gratis from the Machinery and Allied Products Institute (1236 20 Street, N.W., Washington 6, D. C.). Machinery must be kept in order if a company is to stay in business, and a sound replacement policy will not only strengthen a company's competitive position but also extend the benefits to its customers in the form of increased output and lower prices. Among the factors to be considered in a replacement analysis are savings in direct labor; savings in supervision and administration; maintenance costs; cost of supplies and other items; quality, capacity, and salvage.

STATISTICAL CONTROLS SAVE \$10 MILLION. By M. J. Graham. *American Machinist* (330 West 42 Street, New York 36, N. Y.), March 3, 1952. This article tells how International Harvester, through a statistical quality-control program, slashed spoiled-work and rework costs and, in addition, improved product quality and cut factory unit costs. Credit for the results achieved under this program, the article emphasizes, belongs largely to the plant managers, production and tool engineers, and production supervisors who took action to correct conditions brought to light by the quality-control engineer.

YOU CAN HAVE SAFER FLOORS. *National Safety News* (425 North Michigan Avenue, Chicago 11, Ill.), April, 1952. In choosing floorings, both ease of upkeep and safety should be kept in mind. This article describes the characteristics of various types of floorings and presents a table as a guide in their selection for use in areas throughout the plant. It also points out ways in which slipping hazards, a prime cause of accidents, can be guarded against.

OPERATIONS RESEARCH. By Wallace Gardner. *Michigan Business Review* (School of Business Administration, University of Michigan, Ann Arbor, Mich.), May, 1952. Can operations research be applied effectively in business and industry? Scientists who watched its impressive results during the last war think it can. However, some business men believe it offers nothing new, and the author of this article urges those interested in the advancement of scientific management to scrutinize operations research closely before rejecting it. One of its most important concepts is that a company's research function should be in a staff relation to the chief executive, thus enabling researchers to see the woods as well as the trees.

ESTABLISHING WORK MEASUREMENT STANDARDS FOR NONPRODUCTIVE LABOR. By Henry P. Dolan. *The Controller* (1 East 42 Street, New York 17, N. Y.), January, 1952. This discussion of the preparation of a procedure flow chart as a method of work measurement for nonproductive labor includes exhibits to illustrate operation descriptions, time journals, budgetary control methods, etc. The author points out that, since the charts are graphic portrayals of the nature and sequence of the operations performed, they must be complete and easily understood by all who have occasion to refer to them.

MAINTENANCE COSTS. By Oliver R. Etheridge. *Plant Administration* (481 University Avenue, Toronto, Canada), March, 1952. The author discusses the variable factors which affect maintenance costs and outlines his own company's maintenance analysis and improvement program. One feature of this program is the assignment of maintenance men as staff assistants to production foremen throughout the plant. This has resulted in better communications between the maintenance and production departments, improved work orders, and more satisfactory equipment inspection.

PRODUCTION MONITORING. By Geoffrey Newell. *Manufacturing and Industrial Engineering* (73 Richmond Street West, Toronto 1, Canada), April, 1952. The more complicated a modern factory becomes, the more essential it is that each stage of production produce the amounts which the capacities of the following ones can handle. This article describes an electrical monitoring system which measures the actual movements of machines or workers against the desired rate of production.

ROBOT SHOPPING—REVOLUTION IN CONSUMER BUYING HABITS

WHEN ONE WALKS into a store unit of almost any of the large retailers—a supermarket for example—one cannot fail to be impressed with the increasing mechanical way in which the public buys. More and more, public buying consists of simply reaching out a hand—and with amazing frequency doing it so aimlessly and with such total trust in brand name and store that when women are asked what brands they are toting to their car their identification of what they have just bought is as much as 20 per cent incorrect!

Proof that the public is buying more and more mechanically is implicit in these developments:

1. *The continuing drop in brand loyalty.* Even 25 years ago, it was estimated that brand loyalty would carry along for a generation, even if not cultivated. Today, on an item like coffee, customer turnover averages 100 per cent in four years! Furthermore, any study of the home would reveal a disconcerting lack of concentration on a brand; competing brands are found in the pantry, on the vanity table, among the several radios and television sets, etc.

2. *The fabulous cut in the time lag between initial interest and actual purchase.* Just a few generations ago, almost every purchase involved care, consideration, examination, discussion—and, of course, haggling! Most purchases, especially purchases beyond the sheer necessities of life, had to be discussed in the home, time and again, before shopping even began. Today, every category of merchandise is bought more rapidly, with care, consideration, examination, and discussion cut way, way down. This trend

is especially evident in those stores which have been set up to encourage speedier buying—the supermarkets, for example.

3. *The spread in the variety of merchandise that is becoming increasingly susceptible to impulse buying.* Certainly impulse buying is the very opposite of considered buying—and surely no change in public buying habits has been more self-evident or more catered to, both by manufacturers and by retailers, than this positive trend toward more impulse buying over an ever-broadening range of merchandise.

4. *The public's willingness to buy almost any category of merchandise under almost any type of retail roof.* Currently the public shows an unmistakable willingness to buy even when presented with narrow and shallow inventories; if it were otherwise, the food, drug, and variety chains would hardly be doing such a gigantic volume of business in some of their new merchandise categories. Our large retailers are catering to this trend by opening one-stop and one-half stop store units.

5. *The public's acceptance of self-service and self-selection.* Clearly, self-service and self-selection could not exist in an age in which the public bought with meticulous care. They are feasible only when the public shops mechanically—and who will dispute the fact that the two most powerful groundswells in all retailing are self-service and self-selection?

6. *The continuing ability of retailing to move this nation's gigantic increase in productive capacity despite the almost total disappearance of anything remotely resembling selling on the floor of the mass*

retailer. A public that must be persuaded to buy requires intelligent and courteous floor selling. A public that buys mechanically will buy even in the face of unintelligent and discourteous floor selling—and that is *precisely* the condition under which a huge amount of public buying is being done today.

Though the retailer has for some time been more or less consciously aware of the fact that the public is tending toward the robot in its shopping habits, the very manufacturers whose advertising and other policies have tended to robotize public buying have yet to show an equal awareness of this trend. The more mechanically the public buys, the more critically vital it becomes for manufacturers to achieve distinctiveness, uniqueness, and a clear-cut character in every major func-

tion. Yet today we find a dismaying similarity in competitive product features, in product design, in packaging, in pricing, and in advertising. Match this similarity with the robot conditions under which merchandise is displayed and sold in our supermarkets, and then ask yourself how such machine-like uniformity can possibly result in increased product sales!

Robot shopping and robot retailing make an insistent demand for a "jarring touch" that will shake the public out of its mechanical buying habits. This emphasis on a distinctive touch must be based on a product feature and must be carried through the selling, the promotion, and the advertising of the product. Only in such thinking will the proper antidote to robot public shopping be found.

—Grey Matter (Grey Advertising Agency, Inc., New York, N. Y.), April 15, 1952.

TIPS ON RESHAPING SALES TERRITORIES

USE OF PAST company sales instead of the latest market data can be dangerously misleading today. Frequently, money is wasted on big sales promotions in a territory that has thinned out while the sales manager wasn't looking. In other cases, companies with limited distribution have passed up real opportunities to enlarge profits by adding new territories and by dropping areas in which sales potential has faded. For that reason, companies may well find it profitable to check their own territory maps against the latest outside yardsticks.

Some considerations which are often overlooked when this check is made, and which are important factors in making a final decision on realigning territories, are covered in the following checklist:

1. *Do you convert the statistical potential of each territory into a measure of the work to be done?* The percentage of total

sales you should be getting in a territory if selling is balanced (according to the market index) is just a starting point. For instance, according to this index, one manufacturer found that Territory A should be delivering 5 per cent of total sales, whereas Territory B, next door, should be yielding 10 per cent. Because one salesman covered each area, the firm thought at first that the territories needed realigning. Further investigation showed, however, that prospects in B were spread over a much wider area than in A and relatively few in B were familiar with the product. Weighing these facts, the company realized that it should expect to get 9 per cent of total sales in A and about 6 per cent in B.

However, this analysis also showed that B still represented a much bigger potential market than A. As a result, these steps

are being considered: expand advertising in B (possibly shifting some of A's budget); add another salesman to B by splitting the area into two territories; or sell through agents or distributors in Territory B.

2. *Do you check sales cost ratios against market potential in each territory?* This analysis often uncovers hidden weaknesses in the sales lineup. Territories with the lowest and highest ratios of sales costs to total sales should be analyzed carefully, especially if they are new markets. For example, if the cost ratio is low and market potential high, it may mean that the market is so good that salesmen can make their quotas with little effort. More intensive selling, even at higher cost, might substantially increase profitable volume.

Similarly, scrutiny of the territory with highest sales cost to total sales ratios may reveal that market potential, though the same as in other territories, is more difficult to attain. There may therefore be a need to change the sales quota or revise the market potential downward.

3. *What is your present share of the competitive market in each territory as compared to one or two years ago?* This is one of the most reliable indicators of new territories' health, especially when checked against the amounts spent for advertising. With sales hard to get and costs high now, such a comparison will

also show which territories might be temporarily abandoned or given only token coverage.

4. *Do you have some system for tracing and allocating sales made in one territory but consumed in another?* Some buyers have a centralized purchasing office for one or more products and ship them out to their branches in different areas. Therefore, territories that seem best may be showing up well only because they are absorbing a large part of the potentials of other areas.

Some companies have solved the problem of tracing such sales by listing all large accounts representing central office purchases under a home office account in the sales control records. With periodic distribution reports from these customers, a fairly accurate picture of actual consumption can be drawn.

5. *Do you help salesmen by giving them area potentials within their territories?* The salesman knows the territory boundaries and presumably the total territory potential. But how is the potential divided? Where are the main clusters of customers? Is there any way of separating good prospects from less promising ones? There are many capable salesmen whose achievements soar when sales managers help them make a systematic and statistical approach to the problem.

—*Distribution Report* (Research Institute of America, Inc., 292 Madison Avenue, New York 17, N. Y.), April 1, 1952.

The Supermarket—Today's "General Store"

EVOLUTION in the supermarket field is bringing the nation's consumers a return to the "general store" of hallowed tradition. It is difficult to find a supermarket that has not already added several non-food lines and departments and which is not planning to add more. This modern "general store," however, is a streamlined, low-cost operation, functioning at what is generally regarded as the lowest markup in the entire field of retailing.

Moreover, the trend toward non-food lines in the nation's supers is accelerating, according to a survey by Super Market Institute. Health and beauty aids, for example, are carried by 90 per cent of the supermarkets, and housewares are now

handled by 68 per cent, against 48 per cent last year. Other non-food lines coming increasingly into distributing channels through the nation's supers are: stationery, handled by 40 per cent of the supers; books (generally children's and quarter), stocked by 37 per cent of the stores; magazines, 32 per cent; glassware, 31 per cent; nylons, 28 per cent; children's socks, 22 per cent; toys, 22 per cent; greeting cards, 18 per cent; phonograph records, 15 per cent; men's socks, 15 per cent; electrical appliances, 12 per cent; work clothes, 4 per cent; and flowers, 4 per cent.

This stocking of more diversified lines is contributing toward a continued sales gain for the supermarket industry, the survey indicated. Members of the group registered a 21 per cent sales gain over 1950, the highest annual increase on record, with average annual sales per supermarket rising to one million dollars.

Other significant trends revealed by the survey include lengthening of store operating hours and the inauguration of new consumer services, including free cashing of checks, recipe service, and music for added shopping pleasure.

—*The Journal of Commerce* 5/13/52

Criteria for Selecting an Ad Agency

AS MUCH CARE should be exercised in selecting an advertising agency as in choosing a mate—and, as in marriage, both parties should enter into the relationship with the intention that it be a permanent one. Here are some questions the client should ask before making such a selection:

1. Does the client know what can be expected of an advertising agency, and has he analyzed his requirements carefully, so that he can tell the prospective agency just what he is looking for?
2. Does the client recognize the need for a "full partner" to share with him the marketing responsibilities for his company and his products—and to provide those specialized, creative, and technical services which encompass the entire area of marketing and which he himself cannot provide?
3. Is the client overpowered by a particularly brilliant advertising campaign, or by an impressive record of sales and advertising successes for other clients of the agency? Or has he probed more deeply, and learned something about the *character* of the agency and its principal personnel, and the extent to which it is equipped to provide a balanced service and bring to bear sound, mature marketing judgment?
4. What about the basic attitudes and philosophies of the agency personnel toward their business responsibilities and obligations to society? Do they believe in advertising as a tool that can and should be used, not merely to sell more goods at a profit, but to help raise the American standard of living?
5. What about the agency's *ethical* standards? Does its advertising reveal a tendency toward sharp practice—toward untruthful or misleading advertising?
6. Does the agency think its responsibility should begin and end with the creation and placement of effective advertising; or does it recognize that advertising is but one member of the marketing team, and that it must be prepared to assume its fair share of responsibility for building the entire team—which includes helping to improve product quality, packaging, pricing, and sales promotional tools?

—*Advertising Age* 4/28/52

THE THEORY THAT color has a bearing on the pulling power of direct-mail advertising is supported by recent research. The effects of four colors—red, white, blue, and yellow—were investigated by distributing printed matter of identical content on paper of these four colors. The results strongly indicate preference for yellow. Yellow produced nearly 33 per cent more business than red, and over 25 per cent more business than white.

—*Advertiser's Weekly* (London, England) 4/24/52

HOW TO FIND AND FORGET UNPROFITABLE CUSTOMERS

A COMPANY'S SALES policy often encourages the retention of many accounts of doubtful profitability. In the aggregate these accounts may drag heavily on the firm's over-all profit statement. For that reason, steps should be taken to discover which accounts are unprofitable, and management should then decide whether service to these accounts should be reduced or discontinued.

The following points (based on an actual analysis in a typical company) show how to develop a scale for measuring accounts to discover those which are not profitable:

Figure costs. In this particular company, factory costs and functional costs (transportation, advertising, billing, order handling, packing, shipping and selling cost) were calculated and, for the purpose of the analysis, shown as a percentage of total company sales. Of these, only the direct selling costs on the individual territory—the salesmen's salaries, bonuses, and expenses—were allocated to each account.

Factory costs in this case amounted to 83 per cent of total sales value and functional costs to 11 per cent. The net profit figure worked out to 6 per cent.

Make a time study of direct selling costs. The next step was to determine the direct selling cost to service each customer, according to size and type of account in each sales territory. Each salesman was asked to record the number of minutes (to the nearest one-minute period) it took him to call on each account. (This can be shown on the daily activity report or, for more efficient analysis, on a daily IBM call report card.)

Calculate actual direct selling cost. In the case cited here, the time study covered a 12-month period. At the end of this period, the number of minutes was

totaled for each salesman by size of account and dollar volume realized from the account. The per cent of his total selling time spent in servicing each type of account was calculated by size and by trade channel.

One salesman's salary, bonus, and expenses for the year totaled \$15,000. One-third of his time was spent in soliciting small accounts. The salesman's cost to service small accounts was, therefore, \$5,000. His calls on small accounts during the year totaled 500, resulting in a cost-per-call rate of \$10.

Decide what accounts to retain. The direct-selling cost factor used by this company in price determination for small direct account solicitation was estimated at 10 per cent of sales value, compared with an average of 5 per cent for all accounts. Therefore, it would be unprofitable to make one call on any of these small accounts where the sales obtained were less than \$100. It would be unprofitable, that is, in the sense that it would not fully cover the cost and net profit factors.

At the close of the 12-month period, the tabulation of total calls made on each account disclosed that in one sales division, 28 per cent of the small accounts were called on more frequently than the total dollar sales volume warranted. As a result, the cost of soliciting these accounts was so excessive that the company realized none of the allocated net profit factor from them.

Management decided in the case of these oversolicited accounts to retain those on which they broke even—that is, all accounts that covered all cost factors other than the 6 per cent profit factor. Special consideration, however, was given to any account with a favorable unrealized potential. A separate analysis

was made of these accounts to determine whether or not they were worth retaining.

Management's decision to continue calling on the oversolicited accounts on which they were breaking even was prompted, in part, by the desire to retain the extra volume from these accounts in order to keep trained factory personnel during low production periods. It was decided that the cost of keeping these workers was lower than that which would be incurred in recruiting and training new personnel at times of peak production. Management also felt that during a recession period these accounts would help keep the plant operating at profitable capacity.

Re-schedule salesmen's calls. The decision that accounts must contribute toward all cost factors except the 6 per

cent net profit resulted in the following action:

The company reduced the frequency of calls to the point where total sales value at least paid for the calls, even though it did not cover the 6 per cent net profit figure.

Some of the salesmen's accounts were eliminated, especially those with limited potential which required excessive frequency of calls and those on which the company was losing, in addition to the net profit factor, a portion of the other important cost factors.

Over all, this analysis resulted in a sales program which brought sales effort more nearly in line with sales potential. A by-product of the program was development of cost-consciousness among members of the sales force and in the home office.

—LYMAN J. HOUFEK. *Printers' Ink*, March 21, 1952, p. 88:4.

SOLVING THE INQUIRY-ANSWERING PROBLEM

MILLIONS of advertising dollars are poured out by companies throughout the nation to stimulate interest in their products. Yet, in many cases, inquiries received by these firms in response to these campaigns are not answered promptly, or the information given is inadequate, or the local source to which the inquiry is referred fails to follow up.

One reason for this is the fact that in too many companies answering inquiries is a "spare time" job, given little respect by top management. A major step in the solution of the problem lies in incorporating the answering procedure into the regular office routine. Here is an analysis of some satisfactory inquiry-answering procedures developed by various companies:

A system used by American Photocopy

Equipment, Chicago, enables the firm to answer promptly an average of 250 inquiries a day. In addition, a record kept of the source of each lead helps management to analyze the results of the firm's advertising and to develop better pulling ads.

Inquiries are date-stamped upon arrival, and those requiring special answers are separated from those that can be answered by form letter. Where special answers are required, one of the company's correspondents contacts the prospect and attempts to sell him by mail.

For inquiries that can be answered by form letter a lead slip is prepared in quadruplicate. The original and a carbon copy go to the sales representative. Another is retained in the advertising department, and the fourth copy is sent to the general file. The sales representative

follows up on the lead and, if a sale is made, the order is matched up with the lead in the files and the source of the lead is indicated in the sales record book. If a sale is not made, the salesman is required to submit a report on the inquiry. This report is paired up with the copy in the general file, and the advertising copy is destroyed. In the event the salesman does not report within two weeks, he is contacted and asked what action took place.

A procedure worked out by The National Cash Register Company, Dayton, provides that the inquiry be answered and the branch office notified the same day the letter is received. The company uses air mail, special delivery, telegrams, and even the telephone to notify the branch, as the request warrants.

Answers to inquiries concerning retailing and retail selling problems are sent direct to the inquirer, with copies going to branch offices for follow-up by a salesman if necessary. Sales inquiries which bear no sign of having been elicited by current advertising are also answered directly by the main office. The inquirer's letter is then sent to the branch office, with a copy of the main office answer. The main office tries, in its answer to the inquirer, to give the information requested and also to bridge the gap until the branch office can take over and attempt to make a sale.

Cards, coupons, and other inquiries resulting from advertising are usually answered by a form. For example, on requests for certain information a mimeographed acknowledgment post card is sent out, informing the inquirer that the

branch office will supply the information. A mimeographed note is then sent with the inquiry to the branch office, indicating the source of the inquiry and the reason the branch has been asked to supply the information.

Remington Rand, which, like National Cash, processes inquiries within 24 hours of receipt, uses its own punched-card system. Four tabulating cards, each a different color, are used. One is retained by the home office, one is sent to the branch office to be filed in its Inquiry Pending file, and two are given to the salesman. Space is provided on the cards for the salesman to indicate the result of the call. One card is filled out by the salesman immediately after his first call on the prospect. If no interest has been developed, this card is forwarded to the home office, and the salesman's other card and the card in the branch office file are destroyed. If the prospect is interested, the appropriate action is indicated on the branch office card, one of the salesman's cards is sent to the home office, and the salesman retains the other for continued follow-up. When the final result is known, this card is filled in and forwarded to the home office, and the card in the branch's Inquiry Pending file is removed.

Another feature of this company's system is the support given to the salesman by the branch office. Where the inquiry calls for a specific piece of advertising literature, a copy of the literature requested is attached to the salesman's tabulating cards before they are passed on to him so that he can follow up on the lead without delay.

—*Analysis and Staff Report* (Dartnell Sales Service, Chicago 40, Ill.).

LONGEVITY seems to be the custom in industrial advertiser-ad agency relations, according to a recent survey. Most industrial firms work with the same agency for at least 10 years. Also, average industrial accounts have climbed to \$264,561 annually, proving that industrial advertising is now in the "big business" stage.

—*The Advertiser's Digest* 2/52

Marriages Make a Market

THEORETICALLY, marriage is a private affair. But in some ways it's everybody's business. Every man who has something to sell, for example, has a stake in this information culled from a recent Bureau of Census report.

The most striking point is that there were 25 per cent more married people in April, 1951, than there were in 1940. The drop in the median age at first marriage (the median age for men was 24.3 in 1940—22.6 in 1951; for women, 21.5 in 1940—20.4 in 1951) goes far to explain the higher proportion of married people today. A whole new crop of young people has been garnered into the group.

Numerically, the biggest gain in married people was in the 35-44 age group. The gain there was more than 3 million. But all the middle-aged and older people showed a good increase—in line with the fact that people live longer.

Business men will note another item: Married men have the most money. In 1950 their median income was \$2,930, considerably higher than that of bachelors, widowers, or divorced men. With the women, divorcees made the best showing, with a median income of \$1,555.

Since households make good buyers—of everything from houses to rugs and diapers—the 28 per cent jump in the number of households is good news. This gain was almost twice as much as the 15 per cent growth in total civilian population.

One figure that hasn't gone up is the size of the average family. It was 3.5 persons in 1951, compared with 3.8 in 1940. That, of course, directly reflects the trend to urban living; farm families run bigger—about four people to a unit. But there were too few farm dwellers to hold the average up. In April, 1951, only 6 million households were still down on the farm.

—*Business Week* 5/31/52

Sales Forecasting—One Company's Method

KEY EXECUTIVES serving as a sales forecasting committee can help a company adapt to the sharp year-to-year changes in demand for mechanical equipment, declared Donald E. Gates of the Dodge Manufacturing Corporation, Mishawaka, Indiana. In an address before the annual meeting of the American Marketing Association, Mr. Gates said that past experience indicates that business volume in his company in any year will differ by 25 or 30 per cent from the preceding year. Over a period of 22 years the fluctuation was never less than 19 per cent, except during the war, and never more than 38 per cent. These sharp fluctuations are typical for companies making producers' durable goods, according to Mr. Gates, and by assuming that "next year is likely to be about the same as this year" such companies can make serious mistakes.

The forecasting committee of the Dodge Company consists of the production manager, general shop superintendent, assistant sales manager, assistant secretary and treasurer and Mr. Gates, who serves as an executive and economist in the sales department.

Forecasts are based on a wide variety of information compiled by him from the company's own sales records and from many outside sources which indicate trends in the industries using the company's products. An important element in the forecast is an analysis of competitive products which may affect Dodge's markets.

The forecasting committee issues a monthly report which serves as a guide to stock ordering and to planning by department heads throughout the company.

As an example of the operation of the plan, Mr. Gates said that for 1951 the forecasting committee set quotas 40 per cent above the estimates of district sales managers.

"Some of the salesmen complained at the annual meeting," he said, "and then went out and beat the higher quotas by substantial margins. In 1952 our forecasting committee foresaw a decline and cut salesmen's estimates. Economic developments have so far substantiated the committee's recommendations."

SELLING IS A FULL-TIME JOB

FOR all its simplicity of purpose, selling is extremely diversified and even confusing in practice. Only when the job of selling is analyzed and split into its many component parts are we able to determine what the selling job is and how it may best be accomplished.

Though sales policies vary from business to business and the sales job varies with them, there are certain fundamental objectives which are more or less common to all sales jobs. Here are six main goals which the successful salesman will try to keep always before him:

First—To do his part in building volume.

a. By the most advantageous routing of his trips, so that his territory shall be properly covered in accordance with its particular needs.

b. By a daily effort to make the maximum number of calls consistent with good results at each call.

c. By alertness in obtaining accurate and comprehensive knowledge of his customers, both as to personal facts and the history and policies of their businesses.

d. By the acquisition of a knowledge of his own lines and their uses so that he may present them to the best advantage.

e. By constant watchfulness for new prospects not only to add resources for volume but also to replace the names of those who will go out of business eventually.

f. By an intelligent observation of business conditions in his territory so that he may aid the sales manager in fixing the proper yearly sales budget for each customer.

Second—To aid in the preservation of net profits.

a. By an earnest effort to sell his merchandise on the basis of value, quality, and service, and thus maintain the market against demoralizing price situations.

b. By careful attention to all returns

and allowances for sales reasons, investigating each case thoroughly so that he may learn how to deal with such situations and keep them at a minimum.

c. By due consideration for economy in the cost of covering his territory.

Third—To help merchandise the product.

a. By an accurate knowledge of competitive offerings and their uses.

b. By making constructive suggestions regarding new items for old uses, old items for new uses, and new items for new uses.

c. By continuously furnishing detailed information regarding the outlook for sales, which will help to plan right stocks, reduce back-orders, and maintain prompt and complete shipments.

Fourth—To do his share toward administrative economy.

a. By prompt and careful attention to those matters of credits and collections which are referred to him by the credit department.

b. By intelligent, well-balanced assistance in the adjustment of all differences between the customer and the home office.

c. By writing up his orders accurately and completely, showing all information necessary for their proper execution.

d. By prompt attention and reply to all house communications.

Fifth—To understand his part in manufacturing economies.

a. By a knowledge of those features of selling which increase factory costs, such as special requirements, unusual speed, and split shipments.

b. By appreciating the value of uniform manufacturing schedules, which are necessarily based upon intelligent forecasting of the probable market.

c. By recognizing the necessity for extreme effort in realizing these market forecasts, so that manufacturing economy may be assured.

d. By doing his share to remove peaks and depressions in sales.

Sixth—To be an important factor in building goodwill.

a. By correctly representing the prestige of his concern through his appearance, personality, and habits.

b. By developing an attitude of mind permitting a correct understanding of the customer's point of view and, at the same

—THE RED BARREL (Coca-Cola Company, P.O. Drawer 1734, Atlanta, Ga.).

time, maintaining a firmness which will gain respect for his own.

c. By a degree of courtesy, attention, and dignified friendship which will gain him ready access to his customer.

d. By respecting his own organization so that it will reflect itself in a corresponding respect on the part of the customer.

Also Recommended • • •

NINE WAYS TO IMPROVE YOUR DIRECT MAIL. By Howard G. Sawyer. *Industrial Marketing* (200 East Illinois Street, Chicago 11, Ill.), March, 1952. Direct mail, despite the high percentage of waste, is still a good, low-cost source of inquiries and subsequent orders, the author points out. Building a good list, tailoring your message to fit the list, and setting up a direct mail time-table and adhering to it are among the suggestions he makes for reducing waste and improving direct-mail efficiency and effectiveness.

WHAT OUR AGING POPULATION MEANS TO MARKETING. By Vergil D. Reed and Ruth R. Reed. *Advertising Agency* (48 West 38th Street, New York 18, N. Y.), March, 1952. Today we have more than 12 million persons aged 65 and up; by 1975 there will be 20 million. This article, one of two written by the authors on the subject, deals with the nature and causes of this trend and its effect on marketing. The increasing number of elders, aside from the additional volume they represent, will influence the design, style, unit of sale, formulas, and many other characteristics of existing and future products, it is pointed out.

YOU CAN'T AFFORD NOT TO SPEND TODAY'S 18-CENT MARKETING DOLLARS. By Willard M. Fox. *Industrial Marketing* (200 East Illinois Street, Chicago 11, Ill.), February, 1952. The advisability, under high taxes, of making expenditures that will result in long-term capital gains makes an active marketing program at this time a sound investment, according to the author. The program he outlines includes product research, educational advertising, intensified training and retraining of salesmen, improvement of internal controls, and an increase in service to customers. Such a program, he emphasizes, will also help to lessen the impact of any business slump that might occur when rearmament slackens off.

LET'S TALK TURKEY ABOUT THE SALESMEN'S TURNOVER PROBLEM! By Robert N. McMurry. *Sales Management* (386 Fourth Avenue, New York 16, N. Y.), March 15, 1952. Dr. McMurry examines the reasons for salesman turnover and assesses its cost to American business. Though improper selection and placement, inadequate training, and insufficient or inequitable compensation are all contributing factors, the most important reason for such turnover is incompetent or indifferent supervision. A step toward solution of the problem lies in an honest appraisal by top management of its entire sales personnel and supervisory policies, programs, and practices, he suggests.

OPEN SESAME FOR SALES. *Modern Industry* (400 Madison Avenue, New York 17, N. Y.), March 15, 1952. U. S. companies published 1,770 external house organs in 1947, 1,890 in 1950; and the number is still growing. Business men who are seeking company good will, salesmen's morale-builders, dealer guides, or sales through product applications will learn why, where, when—and how—the external magazine can spark and coordinate selling efforts.

HOW TO REDUCE DIRECT MAIL COSTS. *Tide* (232 Madison Avenue, New York 17, N. Y.), February 15, 1952. Direct mail advertisers, facing a 50 per cent third-class postal rate rise in July, will be especially interested in a well-timed manual, recently published by the National Research Bureau, called "42 Ways to Cut Your Direct Mail Costs" (National Research Bureau, Inc., 415 North Dearborn Street, Chicago, Ill.; \$1.00 for non-members). The study contains not only a review of time- and cost-saving equipment available but also many suggestions for cutting percentage costs. Example: One of the first lessons an advertiser should learn is that although it costs him nothing to correct typesetters' errors, he pays a big premium when he has to correct his own.

Packaging

PACKAGING—SPECIALTY OR SIDELINE?

IS A PACKAGING MAN a specialist, or does he "double in brass" as purchasing agent, salesman, engineer, or plant manager? Which would he rather be—specialist or broad-gauge executive?

To find answers to these questions, a survey was recently made of packaging executives in seven commodity fields employed by companies having from five to over 200 packaging workers. They were asked just what their duties were, how they liked the job arrangement, where they trained for their present position, and how much they earned.

The first clue to the status of packaging men in industry came from the titles the packagers listed for themselves. In addition to three who said they had no titles, some 37 separate designations were written in, ranging from owner to foreman. A common denominator was production manager, coupled fairly often with purchasing agent. The buying function seems involved with packaging in a third of the major packaging firms and in half of all companies.

One saving element in this "doubling in brass" situation appears to be the fact that the added duties of about 90 per cent of those doing non-packaging work fell within the shadow of packaging. Most frequently checked were production and purchasing, mentioned by 70 per cent of those who said they did non-packaging work. At the opposite end of the scale was accounting, mentioned by 7 per cent. Between these extremes were plant management (65 per cent), product development (55 per cent), engineering (22 per cent), sales (15 per cent), and owner (5 per cent).

Closely allied to titles and responsibilities is the question of whether or not a man feels he would be a more efficient packager were he handling packaging problems alone. The answers showed that there were two men who felt they do a better job in their multi-function role for every one who felt his other duties were cutting into his ability. On the surface this would indicate that the majority of packaging men were happy about their "doubling in brass" life.

The few who felt they could be more efficient if they handled packaging matters alone were those, in small and medium-sized companies, who did some selling, some accounting, some buying, and still felt they were basically packaging specialists. The nub of efficiency vs. added duties seems to come down to "what added duties?" If the non-packaging work is as far removed from packaging as accounting or being corporate secretary, the added duties, having no relation to putting products in bottles, may give rise to some dissatisfaction.

If the responsibilities of packaging men are varied, their backgrounds are fairly uniform. Eighty per cent said they trained for their packaging responsibilities solely by doing packaging work. Most of the remainder were about equally divided among "no training," engineering, and general plant supervision work. Several, in replying to the question on training, mentioned that they have been reading all the books and business magazines on the subject they could find. Conventions, exhibits, "other people's plants," and suppliers were also listed as training sources.

This lack of systematic training, while easy to understand, is a situation that must be costing packers unfathomed sums. A minimum training suggestion would be engineering school "short courses" of one or two weeks supplemented by seminars conducted either by the schools or industry associations.

A comparison of salary with title and duties reveals that packaging specialists, regardless of company size or experience, generally draw less than men of broader activities. Here is a breakdown of job duties and salaries:

Foremen and supervisors doing strictly production-packaging work are in the under-\$5,000 group.

Packaging men who are also production managers in their firms draw up to \$7,500, as do strictly packaging executives.

Many men whose duties include pur-

chasing, development work, and plant engineering list themselves in the \$7,500-\$10,000 bracket.

The men in the over-\$10,000 segment are either packaging directors or top-level production-packaging executives.

The number of people supervised is less accurate a salary guide than the variety of packaging materials handled. This was confirmed by a question covering packaging media. The one-package men invariably were not as well paid (unless they were also top executives) as those who handled several package types, as in a drug, cosmetic, or multi-pack food plant.

On the strength of this survey, it would seem that most packaging men are living, more or less contentedly, within a daily routine of non-packaging duties. The true specialists are still in a minority and are luxuries only the largest firms can afford.

—*The Glass Packager*, April, 1952, p. 241:2.

PACK UP YOUR SHORTAGE TROUBLES

FOR WANT OF A wrapper, a good many shipments may be lost, or at least delayed, in the months ahead—unless industry takes every possible step to conserve packaging materials and stretch supplies. That's the prediction of the Containers and Packaging Division of the National Production Authority. But even if the shortages predicted by the NPA never materialize, efforts toward conservation will uncover needless waste and help to keep ever-expanding budgets under control.

One way to conserve packaging materials is through changes in package design. Slight changes in package shape and wrapper size, for example, are proving profitable for cellophane users. Du Pont points out that a candy maker, by changing his cellophane-covered package from a flat

square to a deeper rectangle, saved almost 25 per cent of the cellophane previously used.

Other manufacturers are saving paper-board, as well as cellophane, by trimming waste space from packages—either by increasing the amount of material packed in each container, or by reducing the size of the container so that it fits closely around the product.

Practically every supplier of packaging materials and prefabricated packages can help with design ideas. Help can also be obtained from such government agencies as the Production and Marketing Administration of the Department of Agriculture, the National Bureau of Standards, and NPA's Containers and Packaging Division. Other organizations, such as the

American Management Association, the Packaging Institute, and the Society of Industrial Packaging and Materials Handling Engineers, also make helpful information available.

Changes in design usually improve package performance, and customer reaction is therefore likely to be favorable. Many companies in the next few months, however, may have to lower package standards or use inferior materials. What about reaction then?

Packaging experts agree that it isn't smart to try to slide inferior packages through, hoping no one will notice. Their advice: Take customers and distributors into your confidence. Tell them frankly when quality standards must be dropped temporarily. And tell them why.

Companies which already have a coordinated packaging program can start right now testing alternate materials, trimming the last bit of fat from package design, and preparing to handle customer relations. But those firms—and they seem to be in the majority—whose packaging systems are not well organized have a good deal of preliminary work to do.

Executives of one large company, for instance, were amazed to find recently that no central record of all the packages used for its many products existed; nor was there a set of package specifications. Instead, individual purchasing agents and production chiefs procured packages as needed.

Obviously, for a company in this position, conservation of packaging materials must start with these basic steps: delegating responsibility for packaging to one man; collecting data on existing packages and products to be packaged; and estab-

lishing records. When these preliminaries are out of the way, real savings can begin.

Securing cooperation of other departments within the plant is another way of effecting savings. If the packaging department keeps plant employees and supervisors informed, they can do much to keep costs down and reduce waste. Good liaison between the receiving and production departments, for example, can do away with many hours of downtime. The production department will be able to adjust machine and worker schedules to handle substandard and off-grade materials to best advantage if it's warned well in advance when such materials are coming through. The sales department needs advance notice, too, if it is to safeguard customer and distributor relations. Moreover, it's a good idea to ask the sales department for a priority listing of products so that the best packaging materials available may be reserved for the more important products.

Finally, savings can be effected and the impact of shortages eased if these additional points are kept in mind:

1. Know exactly which materials are used in packaging each product so you'll know immediately which products are affected by shortages and can arrange for substitute materials, adjusting production schedules accordingly.
2. Prepare alternate specifications for each use of each packaging material.
3. Keep inventory records up to date so you can keep materials in balance.
4. Check long-term availability of packaging materials *before* production of new products starts. Don't wait until you have a warehouse full of products—and nothing to put them in.

—*Modern Industry*, Vol. 22, No. 6, p. 38:8.

IT SHOULD BE OUR PURPOSE in life to see that each of us makes such contribution as will enable us to say that we, individually and collectively, are a part of the answer to the world problem and not part of the problem itself.

—ANDREW CORDIER

THE CONTROLLER'S APPROACH TO ECONOMIC EDUCATION FOR EMPLOYEES

ECONOMIC EDUCATION OF employees has passed the pioneering stage, and many companies are making it a major part of their employee relations program. Appropriations for this purpose add up to many millions every year.

Though economic education programs for employees are usually initiated at the highest corporate level, the controller plays an extremely important role in assuring their success. Why? Because the controller's office is the fountainhead of information on which the program will be largely based. In the controller's records will be found answers to such questions as the following:

Are the company's human relations expenditures in proper balance? In a recent study of personnel costs per employee per year, it was found that one of the 30 companies analyzed had a labor relations cost of \$50 a year for each person on its payroll—five times the average for its industry. Though the company spent more than did the 29 others for this purpose—including grievance handling, collective bargaining, company activities during strikes and slowdowns, etc.—it was the lowest of the group in expenditures for employee welfare, second in expenditures per employee for wage and salary administration, and fourth from the bottom in safety education. It paid nothing for recreation, nothing for training; it had no house organ and no cafeteria. Yet its total personnel cost per employee was the highest in the group—\$70.05. In contrast, the company with the lowest labor relations cost per employee—\$2.00,

as compared with the other's \$50—spent more for the other factors, and its total personnel cost per employee was only \$57.67.

Is the company aware of its competition and does it spend enough to overcome that competition? In one case, it was discovered that the union to which a firm's employees belonged was spending \$1.60 a year on each employee to "educate" them in the union's goals, aspirations, and programs, while the company's budget for communications to counteract this effort amounted to only 8 cents per employee per year!

Does the proportion of labor cost to sales dollar require special emphasis on building employee understanding and cooperation? Generally speaking, the higher the ratio of labor cost to sales price, the more important economic education of employees becomes.

How much is the company spending every year on strikes, turnover, absenteeism, and contract settlements which are out of line with industry and area practice? Investigation along these lines does more than explore: it helps management define the targets and get a sharper bead on the objectives.

In evaluating proposed plans for educating employees in economics, the controller should give special attention to these points:

1. *Does the plan fit your people?* All effective plans are tailored to fit the particular company and the prevailing conditions, which quite naturally vary accord-

ing to industry, area, and type of organization.

2. *Does your company really have the obstacles which it seeks to hurdle?* Though a study may indicate that a program of economic education is called for, it is also necessary to spell out the actual conditions which such a program is required to correct. For example, there may exist a widespread belief that the company is making "huge" profits and not sharing enough of the take with its employees; a tendency to regard take-home pay as total compensation, overlooking taxes and social security, as well as the amounts represented in various employee benefits; a corollary willingness to support the union in all its demands, regardless of their impact on the company as a source of continued employment; a general indifference to, or resentment toward, such methods as cost control, waste prevention, and budgeting. The existence of such attitudes is measurable in extent and intensity and proves the need, on the

—FRED RUDGE. *The Controller*, Vol. XX, No. 1, p. 20:3.

part of the company, to "do something" about them.

3. *How are your front-line troops?* Supervisors are the "shock troops" and "teachers" in most plans that really work. Without their interest and support, no program can succeed. In one case, research into foremen's attitudes uncovered so much discontent and resentment on their part that the management was obliged to forget about economic education of the rank-and-file until the foremen's morale had been restored.

The controller may be considered the navigation officer of modern industry—the technician on whose charts and soundings top management depends to keep the ship of business on the course to profits. Few individuals in any company exceed his grasp of policy and practice, and few can equal his awareness of where the company is—and whither it is heading. For these reasons, the controller can play a dynamic role in furthering an employee education project.

WHAT FINANCIAL EXECUTIVES DO: A SURVEY

ACTIVITIES of the modern corporate financial department go far beyond accounting and bookkeeping, according to a survey of the duties of financial executives by the Conference Board. Present-day financial groups concern themselves with budgets, inventories, governmental regulations, insurance, taxes, pensions, and a host of diverse items. In short, the financial department of today plays a much more active role in the operations of the company than did its counterpart of several decades ago.

Three main factors have combined to bring about the change. First, the development of modern manufacturing

techniques has resulted in an increase in the size and complexity of industrial units. Second, mounting government intervention into company affairs has added to the difficulties of doing business. The third factor has been the growth of public financing of business.

The most significant change in the organization of the financial department in recent years has been the rise in the status of the controller. The increased need for internal control and the necessity for relieving some of the pressures on the treasurer and for providing checks and balances within the financial organization have combined to give the con-

trollership function increased stature in industry. Several manufacturers have set up a separate controller's section within the financial organization in the past 10 or 12 years.

However, though industry is agreed upon the necessity for control, there is still a diversity of opinion regarding the responsibility for carrying it out. In some instances, it is performed by a controller who is responsible only to the president or board of directors of the company. In others, the controller is merely a member of the staff of the treasurer. And in still other companies, the controllership functions are performed entirely by the treasurer along with his other duties.

The treasurer's function, too, has undergone a change. His responsibility formerly was to oversee the inflow and outgo of all monies. However, because of differences in the requirements of the times and in the attitudes of management, the list of functions connected with the position grew, and the job was broken down in order to separate the custody function from that of maintaining a check upon financial activities. Where formerly the treasurer had been top financial man in most companies, today he is just one of a group of executives dealing with fiscal policies and problems. He is often subordinate to a vice president for finance, and in many instances his position is on an organizational level with that of controller. Though, in many cases, the treasurer is still responsible for controllership activities in addition to his treasury duties, basically his functions are concerned with: custody, cash and banking, credit and claims, and financial management.

Some of the larger companies have added a vice president of finance to

whom both the treasurer and the controller report. He, in turn, is responsible to the president and/or the board of directors. In a few of the larger organizations, activities of the treasurer and controller are supervised directly by a finance committee of the board of directors. Only rarely does a company have both a finance committee and a financial vice-president.

Functions of the chairman of the finance committee and the vice president of finance are similar in most instances. They formulate and administer financial and accounting policies, and assist other members of the management in making overall company policy. They usually direct research into present and future economic conditions and recommend changes in policies and operations to meet those conditions. They counsel and collaborate with other management executives on subjects of a financial nature. In addition, they are responsible for directing and coordinating the activities of the personnel within their province.

Because of their training, experience, and particular abilities, financial executives frequently serve in other corporate capacities, such as president, general manager, vice president, director, and secretary. In many instances, they also serve as members of various committees, and sometimes they act as chairmen of certain committees.

Financial executives are frequently assigned duties and responsibilities not ordinarily considered financial functions. The most frequent of such assignments are: purchasing, traffic management, participation in collective bargaining discussion, personnel administration, and administration of pension plans.

U. S. INVESTORS control some 2,500 Canadian plants, which account for between a third and a quarter of the total manufacturing in Canada, reports the Research Institute of America. Total U. S. investment in Canada is now about \$8 billion.

Handling the "Gimmies": One Company's Solution

EVERYBODY's got the "gimmies" as every harassed executive knows. The demands for charity have grown to such proportions that many firms have wisely adopted defensive measures. The problem is a delicate one. You don't want to offend, you want to give worthy causes due consideration, but there is a limit to the amount you can spread around.

One firm has worked out a diplomatic, business-like solution.

First, they keep a careful record of all contributions. The president keeps a card file in his desk. Every caller seeking a contribution is welcomed into his office. He promptly refers to the file. If a contribution was made previously to this organization and the card has an "OK," he says "Yes" and names the amount the firm can give.

If the request is a new one and, perhaps, a doubtful one, the following procedure goes into action—the president speaking:

1. "Our business, like all businesses, must be operated on a budget. A budget is worthless unless we make it work—and we can make it work only by following it.

2. "The first of each year we set up our charity budget for the year. A 'clearance committee' reviews all requests and allots our contributions.

3. "Since your request is a new one and therefore not in our budget, there's nothing we can do this year. I suggest that you write us, making a formal application and including enough information for our committee to make a fair decision. The application will go into the files for consideration when we make up our contribution budget for the next calendar year."

—*Executives' Digest* 2/52

What Stockholders Want to Know About Labor Relations

THE AVERAGE ANNUAL REPORT to stockholders contains insufficient labor relations information. If some day some company, progressive in outlook and unafraid to take the stockholder into its confidence, were to give the stockholder some truly helpful information on this matter, its report would cover the following points:

1. **Communications.** What does the company do to keep its workers informed? Does it use newsletters, loudspeaker systems, word of mouth?

2. **Collective Bargaining.** Not the pap stuff you see in most reports ("our collective bargaining with various unions continued on a cooperative basis"), but: What type of management prerogative clause has the company won in its negotiations? Can it operate with the proper freedom to assure top production?

3. **Seniority.** What type of arrangement does the company have with employees in case of transfers, layoffs, rehires? These are important financial considerations because if a management cannot shift its personnel around except on the basis of length of service it might find itself overstaffed with oldsters whose production has slipped.

4. **Induction.** How does the company handle new workers? Are they given good information about the company, its products, its officers, so they'll want to put in a fair day's work for a fair day's pay?

5. **Absenteeism.** What's the company record? If it's too high, working conditions may be poor, supervision may be bad, and selection may be poor. If absenteeism is low, brag about it!

6. **Supervision.** Foremen can make or break an organization. Find a company whose earnings are low and you can bet your bottom dollar that there is something wrong with its supervisors.

7. **Accident Records.** What kind of safety program does the company have? Compensation costs money and accidents can cut deeply into earnings. Safety programs should be given more attention.

—*Forbes* 2/15/52

THIEVES AMONG YOUR EMPLOYEES?

EMBEZZLEMENTS ARE ON the increase, according to the FBI. Reported defalcations now run close behind property fire losses—\$600 million against \$700 million annually. One explanation is that the temptation to pilfer and steal is greater when living costs are high and taxes are steep. Also, in many areas where labor is tight, companies have had to lower their hiring standards and take on people without careful screening.

You may feel that the problem doesn't concern you—that you have no special hiring trouble and you know all your people. It is true, of course, that the overwhelming majority of employees are completely honest and trustworthy, but the fact remains that you may be vulnerable, and your business may therefore be paying a high price for your complacency.

The following recommendations for achieving maximum protection against thievery, with minimum expense and effort, were made by industry experts and bonding and insurance specialists. A quick review of these key points may reassure you that your safeguards are adequate; or it may indicate areas in which you are dangerously susceptible to dishonesty:

Do you investigate new employees carefully before hiring or immediately afterward? In a surprising number of cases the reference check is delayed because of work pressure. In many instances, it is never made. You aren't really safe unless you have a flat rule against a cashier or other "sensitive-spot" employee working alone until investigation is complete and a bonding company's clearance is obtained.

How effective are your controls over petty cash and checks? A regular siphoning of small amounts can cause real trouble. Be sure, therefore, that only a

limited number of people are responsible for petty cash authorizations; and assign an executive to make unannounced, frequent spot verifications.

Precautions should also be taken to prevent tampering with checks. All cancelled checks should be compared with a company check register, posted before signature, and maintained by a person other than the one writing checks. Exercise care in writing checks to avoid spaces or gaps that can be filled in later.

Do you know from whom you buy? A \$5,000-a-year clerk in a manufacturing company stole \$800,000 in nine months through the simple expedient of setting up four dummy corporations which billed his firm for goods that never existed.

The possibility of this type of theft is greater today when many companies are forced to buy from new and untried sources in order to get scarce items. Credit ratings of suppliers should therefore be checked as carefully as those of customers. Another safeguard is to print serial numbers on purchase orders so that all orders can be accounted for at all times. Receiving reports, prepared by the receiving clerk independently of the purchase order, should tally with the order and should be attached to the supplier's invoice for double checking by the audit department.

Who "takes stock" in your business? Surprise spot-checks of inventory at irregular intervals are good practice, and should certainly be made frequently for expensive goods. But be sure to have stock counted by persons other than stock-room employees.

Are you giving away valuable scrap and waste materials? Metal scrap especially has a high value today, and companies that haven't tightened controls over disposal risk being short-changed.

Truck scales should therefore be installed where feasible, or truck weights should be spot-checked at public scales. Treat scrap and waste like other inventory. Enter sales on your books, and keep perpetual inventory records.

Are branches checked as carefully as the main office? Audit and inventory of your branch offices should be made frequently and irregularly. Where feasible, branch managers should be rotated. If practical, branch bookkeepers should be made responsible only to the home office, rather than to the branch manager.

Some additional points which an evaluation of your protective procedures should cover are:

Buying, Receiving and Shipping Practices.

1. Does your purchasing agent either receive or pay for goods? This has been found poor practice.

2. Does the shipping clerk obtain

—*Operations Report* (Research Institute of America, Inc., New York 17, N. Y.),
March 11, 1952.

drivers' receipts for all goods moved out of the warehouse?

3. Are goods ever left unattended or unprotected on receiving or shipping platforms?

Payroll Practices.

1. Do you check occasionally to see that the number of names on the payroll corresponds to the number of employees?

2. Is your payroll supported by verified time sheets?

3. Is your payroll delivered by an armed guard service? If not, you may be vulnerable to the "fake holdup" type of embezzlement.

Accounting Practices.

1. Are books audited by an outside CPA at least once each year and, if possible, at different and unannounced times?

2. Are accounts receivable records accessible to persons handling incoming cash or to persons making customer adjustments or issuing credit memoranda?

THE FALLACY OF "CHEAP-DOLLAR" SPENDING

FOR longer than most of us like to remember, each new federal tax bill has outdone its predecessor in its astronomical size and systematic syphoning of more and more of the reserve funds of both individuals and corporations. As the 1952 model took shape, there were more than token changes in its "body lines and grill work." It was designed not only to probe more deeply and greedily into the pockets of workers and corporations alike but to turn pockets inside out and then vacuum the linings.

Despite this the Treasury Department said it wasn't big enough, arguing that taxation thwarts inflation. Actually, the present program might be described as

one of *administered* inflation, with price controls gradually yielding to higher prices and these, in turn, leading to increased spending and higher taxes.

The administration apparently sees no limit to the nation's willingness to support lavish spending. A quick look at a few figures compiled by the National Small Business Men's Association in regard to federal spending will show budget growth that should prove exceedingly difficult to justify. For example, in the lush year of 1940 and under the Roosevelt Administration the Department of Commerce spent 75 million dollars. In 1950 that department spent nearly a billion dollars (863 million). In the same

10-year span the Department of Labor, which spent 18 million in 1940, had learned how to spend over a quarter of a billion in 1950. Department of Interior bolstered their budget eight times in size and the State Department about 15 times. And the picture is similar in every department.

With the government spending merrily and prodigiously, there has been much said in favor of corporations following suit. It is easy for corporation men to succumb to the philosophy that it is better to spend an income dollar, even frivolously, than to hand it back in taxes.

However, such thinking will have a suicidal effect on our total economy. For every dollar the administration spends, ultimately there must be a dollar in taxes. Wasteful spending in corporations would decrease tax collections, eventually to the point where further tax increases are the only alternative.

There is only *one* starting point at which we in corporations can combat still

higher taxation. We must convince our people that the greater the tax, the greater the necessity for corporate and individual economy.

While we enthusiastically explore every avenue of real expansion that may permit us to produce more real goods, we must reject any project that appears superficial—frills that some might justify because they know that a large part of each dollar squandered would otherwise be drained off in taxes. We must hold down expenses, large and small, and scrutinize every departmental budget, pruning wherever possible.

Our motive might be considered selfish to a degree. Since we can't perpetuate our American business system or find new investors unless we show a profit, our real objective is to have more dollars left after paying higher taxes. However, such belt tightening is imperative if we are to keep our companies healthy. This kind of economy, and only this kind, is truly anti-inflationary.

—From an address by LELAND I. DOAN (President, Dow Chemical Co.) before the Providence Analysts Society.

"Real" National Wealth Increases During Past Five Years

NATIONAL WEALTH in terms of constant prices has increased considerably since the end of World War II, and the rate of increase for the 1946-1950 period of about 5 per cent per annum is probably higher than that for any period of equal length since the late nineteenth century. This is one of several conclusions reached by Dr. Raymond W. Goldsmith in *A Perpetual Inventory of National Wealth*, published recently by the National Bureau of Economic Research.

Among other conclusions presented by Dr. Goldsmith is the fact that total national wealth increased from almost \$65 billion in 1896 to almost \$800 billion in 1948, in current prices of the inventory date. About two-thirds of this increase reflects a rise in price level.

Comparing business wealth (plant and equipment, etc.) and consumers' wealth (homes, cars, etc.), Dr. Goldsmith finds that in 1900 the ratio was about four to three, but by 1948 consumer wealth was greater than its business counterpart.

Within the reproducible assets category, Dr. Goldsmith finds that in 1900 equipment slightly exceeded inventories, while structures were nearly three times as large as either. In 1948, the relationship was approximately the same as in 1929, when equipment was valued at more than twice inventories, and structures were valued at only a little more than twice equipment.

Dr. Goldsmith also points out that in 1900 federal, state, and local governments owned about 8 per cent of tangible national wealth. By 1929 their share had

risen to 10 per cent. Astonishingly enough, this was not much higher in 1948—about 15 per cent—if the comparison is confined to nonmilitary domestic assets.

Reviewing the national wealth-income ratio, Dr. Goldsmith finds that it remained close to five to one until 1929, and returned to that level in the late 1930's after a temporary bulge during the Great Depression. The ratio declined sharply during World War II, and by 1948 was still below four to one.

In reviewing the change in wealth per capita, Dr. Goldsmith finds that over the 1896-1948 period reproducible tangible wealth per capita in 1929 prices grew at an annual rate of about 1½ per cent. As a result, the quantity of reproducible tangible assets at the disposal of every inhabitant of the United States has doubled within the last 50 years.

—*The Controller* 3/52

Income of Families and Individuals, 1950

INCOMES of the 39,822,000 families in the United States in 1950 averaged \$3,319, \$212 higher than in 1949, according to the Bureau of the Census.

Husband-and-wife families (husband head of family and wife present) numbered 34,556,000, with a median income of \$3,446. In almost a fourth (22.8 per cent) of these families, the wife was in the paid labor force. For these families the income averaged \$4,003, compared with \$3,315 for families in which the wife was not working. Those wives who work apparently do so because of the inadequacy of the husband's income. This is particularly evident in urban areas, where the proportion of working wives was about one-third for those whose husbands had incomes under \$3,000 and about one-tenth for those whose husbands had incomes of \$6,000 or more.

The median income of all families headed by a man was \$3,435, almost 80 per cent higher than the \$1,922 reported for families headed by a woman. This considerable difference is probably caused by the fact that many of these women did not plan to assume the responsibility of family support and were not well prepared for it. Median earnings in such families did not change significantly between 1945 and 1950, as contrasted with an increase of some \$700 in husband-and-wife families. This is because families headed by women tend to be much more dependent upon pensions, social security, alimony, or other types of relatively fixed incomes than are other families.

Women with individual incomes averaged only \$953, compared with a \$2,570 median reported for all men with incomes. Median incomes were practically identical for both sexes aged 14 to 19 years, but among all groups 20 years and over, men's incomes exceeded women's. The highest median for women—\$1,400—was received by women 20 to 24 years of age, whereas among men median incomes continued to advance to a peak of \$3,254 at age 35 to 44.

—*Facts on Women Workers* (U. S. Dept. of Labor) 4/30/52

TV Plant Tour for Stockholders

THE PAINLESS PLANT TOUR is the latest word in stockholders' meetings. Foote Mineral Co. tried a television trip through its various plants in different parts of the country to acquaint stockholders and the press with its diversified doings.

An even dozen 17-in. receivers were placed around the cafeteria of the company's Exton, Penna., plant where the meeting was held. Four image orticon field cameras were spaced about Foote property to show actual production or processing of various products.

This method of showing facilities certainly saves shoe leather and gives insight into many more facets of a company's operations than a normal tour would.

—*The Iron Age* 2/28/52

Also Recommended • • •

CREDIT MANAGEMENT'S RELATIONSHIP TO TOP MANAGEMENT. By William R. Dunn. *Credit Executive* (71 West 23 Street, New York 10, N. Y.), April, 1952. High prices, narrowing profit margins, and keen competition are making the role of the credit department increasingly important. If a credit manager's department does not seem to be getting the recognition it deserves, it may be his own fault. The author emphasizes that it is up to credit men to show top management by their words, their actions, and their accomplishments that they can rise above the field of credit—that they are not only "credit-minded" but "profit-minded," too.

TELEVISION MOVES INTO INDUSTRY. *Modern Industry* (400 Madison Avenue, New York 17, N. Y.), March 15, 1952. This article describes how one plant telecast its annual report at a stockholders' meeting. Not only successful as a novelty, this experiment had down-to-earth advantages as well. For example, stockholders were spared the confusion and effort common to most plant tours, there was no element of danger or discomfort, the presentation was quicker and more compact, and audience attention was far better focused.

MINIMIZING TAXABLE INCOME. By Julian A. Hawk. *Credit and Financial Management* (33 South Clark Street, Chicago 3, Ill.), March, 1952. Building upon his premise that sound business planning requires sound tax planning, the author discusses the excess profits tax law and the way in which taxable income can be minimized within its provisions. Securing income through capital gains, selling depreciable assets at a profit, distributing dividends in property instead of cash, and investment in natural resources or depletable assets are among the suggestions for holding the tax bill down.

THE PROFIT-SHARING TRUST. By Homer B. Park. *Commerce Magazine* (Chicago Association of Commerce and Industry, 1 North La Salle Street, Chicago 2, Ill.), April, 1952. For smaller companies and firms in cyclical industries, the profit-sharing trust, built up from profits only, offers several advantages over the conventional pension plan, the author believes. Since no fixed contribution to the trust is guaranteed at a specific time, accumulations may be invested in the fund for maximum return and capital growth rather than dollar stability alone. Also, such a plan makes each employee cost- and profit-conscious by giving him a visibly growing stake in the success of the business.

WHAT ARE WE GOING TO DO ABOUT DETERMINATION OF INCOME INFLUENCED BY INFLATION? By Samuel J. Broad. *The Journal of Accountancy* (270 Madison Avenue, New York 16, N. Y.), March, 1952. A major effect of inflation upon accounting has been to raise the question as to what cost really is. Should past costs, incurred when the dollar's purchasing power was higher, be treated as the equivalent of costs incurred today? The author discusses two recent studies on the effect of inflation on business income and makes several recommendations which companies may find helpful in preparing their financial reports to stockholders, employees, and tax authorities.

WHAT MANAGEMENT SHOULD KNOW ABOUT CALCULATING MACHINES. *Management Methods* (141 East 44 Street, New York 17, N. Y.), May, 1952. To get the most for the money expended on a calculating machine, you should match the machine to the job. Here is a description of the various types of machines available and a checklist for determining your calculator requirements. The primary use for which the machine is intended, portability, and speed are among the factors to be considered.

EXECUTIVE COMPENSATION: STOCK OPTION AND SUBSIDIZED SAVINGS PLANS. *Industrial Relations Memo No. 125*, Industrial Relations Counselors, Inc., 1270 Sixth Avenue, New York, N. Y., 38 pages, \$1.00. Many companies have attempted to meet the problem of providing adequate compensation for executives by adopting such devices as deferred compensation contracts, stock options, profit sharing, etc. The first part of this memorandum discusses the stock option device and generally concludes that, save in unusual circumstances, its use should not be encouraged. The second part uses a sample case to illustrate how, under certain conditions, the problem of executive compensation can be partially solved by a combination of profit sharing and employee savings plans.

THE QUESTION OF UNEARNED CASH DISCOUNT. *Credit and Financial Management* (33 South Clark Street, Room 1538, Chicago 3, Ill.), May, 1952. In this symposium, 10 treasury and credit department executives view the problem of the unearned cash discount, whose improper use, in the words of one executive, is a source of "wailing and gnashing of teeth" for the credit profession. While the writers feel that the situation must be handled differently in various lines of business, all agree that education of both creditor and seller is the key to solving the problem.

INSURING AGAINST EMPLOYEE DISHONESTY

THERE ARE FEW, if any, concerns that would open up for business without fire insurance. Yet, though the latest F.B.I. report shows 978,000 annual larcenies, as compared with 538,000 fires, only 10 per cent of some 20,000 firms recently surveyed carried dishonesty insurance. And this despite the fact that losses suffered by employers through embezzlements have been estimated to range from \$400 million to \$750 million annually!

One reason for the high number of embezzlements may be the wide variety of techniques the would-be embezzler has at his disposal. The following are just a few of the more common methods of embezzlement: raising checks; padding payrolls; two sets of books; stealing materials; padding expenditures; not entering cash sales; I.O.U.'s in cash drawers, charging inactive accounts; payments to fictitious firms; refunds on goods never returned; causing securities to "disappear"; dead or fictitious men on payroll; raising invoices and checks after payment; extracting ledger sheets to conceal shortages.

Another reason may be the fact that many previously honest people will steal if they have the opportunity and if they feel strongly enough the pressure for more money. In many cases, the cause may be illness in the family and consequent unusual expenses. It may be the inflationary spiraling of legitimate expenses with insufficient income to keep pace. It may be the desire to keep up with the well-known Jones family. Many have dipped in because of the age-old story of undesirable associates, liquor, slow horses, and fast women. Some simply have a strong impulse to get rich quickly and

find out they will never make it otherwise. Summed up, we may say: "Employees + Need + Opportunity = Embezzlements" in too many instances.

The need for protection is obvious. Just how much protection should be purchased? That is a very difficult question to answer since the amount varies with various kinds of businesses. As a general rule, however, Dishonesty Insurance should be considered catastrophe insurance, and the amount of coverage should be reasonably sufficient to save a business should the unexpected happen. The Sales Section of the F.C.&S. Bulletins gives a "Fidelity Insurance Yardstick" developed after considerable research. Major types of manufacturing, commercial, and service companies have been divided into five groups, with a minimum suggested amount of coverage, based on the nature of the business, indicated for each group.*

Fortunately, there are not many varieties of dishonesty insurance coverage with which the buyer need be familiar. Dishonesty insurance today is being sold almost entirely on the Commercial Blanket Bond and the Position Blanket Bond forms.

The Commercial Blanket Bond is an aggregate penalty form with the amount of the bond available for dishonesty losses caused by any employee or in which the employee is concerned or implicated; in other words, in a collusion loss there is only one bond penalty available, regardless of the number of employees that

* See also "Five Yardsticks for Fidelity Bonds," *THE MANAGEMENT REVIEW*, June, 1951, p. 372.
—Ed.

may be involved in such a loss. Payment of loss under the bond does not reduce the amount of loss available to the insured for other losses—that is those in which the dishonest employee is not concerned or implicated. The coverage remains available to the insured whether such other losses were sustained before or after the loss for which such payment was made.

The Blanket Position Bond is simply a multiple penalty form. The amount of the bond is available for dishonesty losses caused by each employee covered. Thus, in a collusive loss, under this form, the amount of the bond would be available for dishonesty losses caused by each employee involved in that loss. In the Commercial Blanket Bond, the length of time within which a loss must be discovered is 12 months, and in the Blanket Position form it is 24 months.

Another form of dishonesty insurance the buyer should investigate is the so-called 3-D coverage. The Comprehensive Dishonesty, Disappearance, and Destruction Policy not only provides the same basic coverage as found in the Commercial Blanket Bond or Blanket Position Bond (you take your choice) but also provides, in scheduled amounts, coverage

comparable to that given by the Money and Securities Broad Form and the Depositors Forgery Bonds. Designed to furnish the broadest standard form of coverage against crime losses, within or without an insured's organization, the 3-D policy is by far the best coverage available in the crime protection field today.

How about the discovery bond? When should it be used? The Discovery Bond is the only form of Dishonesty Insurance sold that covers losses which might have occurred at any time prior to the purchase of protection. A concern purchasing dishonesty coverage for the first time would be especially interested in this type of protection. Under this form, losses are paid when discovered while the bond is in force, regardless of when committed. The Discovery form is provided either in Individual Name Schedule or Position Schedule form. In many cases, it is well to use the Discovery Form for only a reasonable period of time, then cancel and replace it with either of the Blanket Forms. By adding the usual superseded suretyship or continuity rider, the new form will pick up any liability of the prior bond, providing the prior bond covered the individual or individuals responsible for the losses.

—From an address by GEORGE F. AINSLIE, JR. (Vice President of the American Surety Co., New York), before the Casualty and Surety Sales Congress, Kansas City, Mo.

"You Are Covered," but Are You?

IF YOU INCUR A LOSS after you have requested insurance coverage from your agent or broker but before a binder or policy is issued and is placed in your hands, are you covered for the loss? In some instances, recent court decisions on this question have favored the insured; in others, the company.

To make sure you receive full protection, you should take the following steps:

1. When placing insurance agree with the agent or broker as to names of the insurance companies, nature of the risk, type of coverage, date of attachment and duration of coverage, amount of insurance carried by each company, and rate of premium available.

2. Secure binders or policies immediately or as soon as possible. If the insurance is placed through an agent, he should have the authority to issue a binder or policy immediately, and if he does not have this authority, he should secure a binder from the insurance company. If the insurance is placed with a broker or

agent who brokers a portion of the line, he should secure a binder at once from the insurance company and forward it to you. If the insurance is placed directly with an insurance company, you should agree as to the coverage and secure a written confirmation or binder.

3. If you cannot immediately obtain evidence of the placing of the insurance, write a letter to your broker, agent, or company confirming the placing of the insurance and include in your letter the data specified in Item 1.

—*Bulletin* (National Insurance Buyers Association, Inc.) 11/51

Women Now Own \$46 Billion of Life Insurance

WOMEN in the United States now own a record-breaking \$46 billion worth of life insurance protection, the Institute of Life Insurance reports. This is at least \$10 billion more than they owned at the end of World War II.

Two billion dollars worth of new "ordinary" life insurance was bought by women in 1951, in addition to \$2 billion of weekly premium, or "industrial" life insurance, and a half billion dollars of group life insurance.

The amount of ordinary and industrial insurance purchased by women equaled or surpassed all previous records. The total for group life insurance, however, was a quarter billion dollars less than in 1950.

Women own more ordinary life insurance than any other kind. At the end of 1951 they owned a total of \$24 billion worth of this insurance; men owned \$126 billion; and children's policies amounted to \$10 billion. Studies made in previous years by the Institute show that about two-thirds of ordinary insurance currently purchased by women is bought by those who work outside the home; many of these women are also home-makers, contributing to the support of their families.

The group life insurance protection owned by women now totals \$6 billion. Almost all of this is set up under some kind of employer-employee contribution plan. A greater proportion of group life insurance is owned by men than by women, men's total ownership being \$52 billion. One reason may be that group insurance is more universally available in factories and industrial plants than in small business establishments and stores, where women are more apt to work.

—*Insurance Advocate* 5/24/52

Unemployment Insurance Coverage Hits New Peak

MORE WORKERS WERE COVERED by state unemployment insurance laws during 1951 than ever before, Secretary of Labor Maurice J. Tobin reported recently. During the year the average number of employees covered was 34.8 million—an increase of almost two million over 1950.

December was the peak month, with 35.6 million workers covered. The number of employers subject to state unemployment insurance laws also reached a new high of 1,518,800 in December.

The report also highlighted these facts:

1. State unemployment insurance reserves increased by \$810 million to an all-time high of \$7.8 billion.
2. Employers paid \$1.49 million into the state funds.
3. Benefits payments dropped to \$840 million, compared to \$1.37 billion the year before.
4. The number of workers who drew one or more weekly payments totaled 4.1 million, compared to 3.2 million the year before.
5. The average weekly payment was \$21.08, representing 31 per cent of the average weekly wage for all covered workers.
6. Workers received payments for an average of 10 weeks, as against 13 weeks the year before.

—*Journal of Commerce* 5/19/52

CUTTING COMPENSATION COSTS THROUGH RECORD-KEEPING

SOME OF THE ways in which good records and good reporting can minimize compensation costs were outlined recently by Louis P. Hellman, of the Bureau of Medicine and Surgery, Washington, D. C., at the Third Annual Navy Industrial Health Conference.

Efficient record-keeping is invaluable not only in the defense against fraudulent disability claims and as honest evidence of just claims but in the prevention of compensation cases, it was pointed out. To achieve the latter objective, the following measures were suggested:

When the prospective employee is examined, a careful history of diseases and defects, both past and present, should be made so that the job assignment will be in keeping with his physical limitations. Also valuable is a record of his occupational history to learn of past exposures to hazards. Appropriate tests, in addition to the routine X-ray, Kahn test, etc., can then be made.

When the man is on the job, all injuries, no matter how slight, should be recorded. Above all, adequate and acceptable medical terminology in describing the nature of the injury should be used. Circumstances of occurrences should always be included, too.

Similar procedures should be followed in recording findings in periodic, annual, or special examinations resulting from

positive findings on industrial hygiene surveys. It is most important that exposed individuals be given examinations and that facts pertinent to the exposure be recorded, whether positive or negative.

Findings of examinations on separation from the establishment may prevent compensation cases. All information relative to exposure to certain hazards on the job should be recorded, together with an appraisal of present physical condition. Again, all findings, whether positive or negative, should be recorded.

Other records should also be kept to minimize compensation cases. It has been recommended by many industrial hygienists that a record be made of every material, process, or environment capable of causing injury or disease, the exact location of each, and the number of workers exposed. Also recommended is a record of the installation of control measures, with dates of installation, inspections, and follow-up visits. Again, negative findings on surveys are just as important as positive findings.

Finally, it is important to be on the alert to know under what circumstances a new survey should be initiated following exposure of workers to certain hazards. It should not be forgotten that a group of compensation cases (say in the last two years) can be analyzed to see if some general pattern can be discovered.

ONCE A FORGER . . .

IT IS NOT unusual to hear of burglars, thieves, and murderers "going straight" after they leave the "big house," but once a forger, always a forger. There are several reasons for this lack of repentance on the part of the forger.

In the first place, nowadays there is no physical danger connected with this crime. The forger never has to risk life or limb in his quest for a fortune.

Then, too, there is the lure of easy money. In few other illegal professions

can a criminal make money so fast and so easily with so little danger of physical harm.

Finally, almost every forger possesses a peculiar psychological outlook that convinces him that he can outsmart the rest of society. Armed with the arrogance of this belief, he embarks on every mission completely positive that this will be the perfect job.

Whatever the reasons may be for the forger's failure to reform, one thing is certain: forgery is one of the fastest-growing crimes—if not the fastest-growing crime—in the United States. Estimates of the annual "take" of forgers range anywhere from a conservative \$100,000,000 a year to \$400,000,000. And forgers probably will continue to have a heyday until the public rids itself of three popular misconceptions.

The first of these is that forgers bother only the "big boys" with plenty of money. Actually, the amount of the average forged check runs between \$50 and \$60. This small amount makes virtually every owner of a bank account a potential target.

The second misconception is that banks are always liable for a forged check. Though a bank may be found liable, the loss may also fall on the depositor. The bank is charged with using due care and the depositor with due diligence, but one can find a variety of court decisions as to what constitutes due care and due diligence.

—Reprinted from the *Marylander* in *Best's Insurance News*, April, 1952, p. 45:2.

The third misconception is that with a check-writing machine, "safety" paper, and special ink one is safe from the forger. Check-writing machines, though they may serve as a deterrent, are not a preventive. To find out how any one check-writing machine can be crossed up, just ask the salesman of a competing machine to show you the weak points of the first check-writer. As for "safety" paper and special ink, 90 per cent of the checks that are forged are forged on "safety" paper, and no ink is known that cannot be removed, by some method, from paper.

A sure means of achieving protection against the forger is a depositor's forgery bond, which can be written for almost any individual, firm, or corporation, except banks and building and loan associations.

The prime function of the depositor's forgery bond is to provide protection on all outgoing negotiable instruments. Regardless of whether the papers are checks, promissory notes, drafts, bills of exchange, or any written agreement or order to pay, they are covered against loss caused by forgery or alteration.

The bond indemnifies the insured's bank if it should lose by cashing, taking for collection, or paying checks issued or purportedly issued by the insured. Such coverage is included to prevent time-consuming and perhaps credit-ruining litigation between the insured and the bank.

Some Facts About Airplane Accident Coverage

FACED WITH AN UNPRECEDENTED DEMAND for air travel insurance and protection against the hazards of falling aircraft, following the recent wave of airline disasters, Schiff, Terhune & Company, Inc., New York insurance brokers, completed a survey of all insurance in this field which revealed several facts not generally realized by policyholders:

Only about half of the double indemnity clauses being written in conjunction

with life insurance today, for example, provide for payment if the insured is killed as the result of an accident to a non-scheduled plane. Moreover, "quarter-machine" flight insurance policies cover only regular flights on scheduled airlines. This is also true of almost all regular personal accident policies.

Practically all life insurance pays full benefits regardless of the cause of death, providing there is no evidence of fraud in obtaining the insurance, it was found. However, if following the death of a policyholder in the crash of a non-scheduled plane it is found that he was in the habit of traveling extensively in such aircraft and had not stated this on his application, the benefits of the policy might be withheld.

While most personal accident insurance policies apply only to accidents on scheduled flights, special policies covering death, dismemberment, injury, and permanent disability may be purchased. These include accidents incurred in any licensed aircraft—scheduled, non-scheduled, company, or privately-owned—anywhere in the world.

Group travel accident insurance—a new form of protection for corporate executives and employees—is also available. Plans can be developed to cover any size business, from a small partnership to the largest industrial concern. In general, these policies cover employees traveling on company business against accidents of virtually any kind. With corporate business demanding an increasing amount of air travel, most major companies are now covered by group travel policies, both to assure employees that beneficiaries will be taken care of, and to protect the corporation against suits from beneficiaries.

—*The Insurance Field* 5/2/52

New High in Life Premiums Seen

AMERICAN FAMILIES are expected to pay a record \$8,500,000,000 in premiums for life insurance and annuities this year, a report released by the Institute of Life Insurance indicates. The amount spent in 1951 was \$7,900,000,000; in 1940 the figure was \$3,900,000,000.

Though the 1952 premiums will probably be some \$3 billion more than in the last year of World War II, they will represent about the same share of national income—2.9 per cent—as in 1945. They will, however, represent a much smaller share of national income than was put into this type of family protection in 1940.

Similarly, life insurance premiums alone were \$6,600,000,000 in 1951 compared with \$4,500,000,000 in 1945 and \$3,400,000,000 in 1940. But even though this amount was nearly double the 1940 figure, it represented a much smaller portion of national income than was spent in 1940.

National income rose from \$81 billion in 1940 to \$183 billion in 1945 and \$276 billion in 1951. Premiums increased 94 per cent between 1940 and this year, while national income gained 241 per cent.

If the 1940 use of income for life insurance had prevailed in 1951, premiums for life insurance would have been about \$8 billion more than those of 1940, instead of \$3,200,000,000 more, and aggregate life insurance owned in this country would very likely be nearly \$200 billion larger than the \$253 billion it actually is today.

—*The Journal of Commerce* 5/16/52

ACCORDING to latest available figures, the careless use of smokes and matches causes approximately 93,000 fires annually in this country, resulting in property damage estimated at \$73,000,000. Fire preventionists call this the No. 1 fire problem.

—*The Weekly Underwriter* 4/19/52

Also Recommended . . .

HOSPITAL AND SURGICAL COVERAGES FOR RETIRED EMPLOYEES. *Pensions and Group Insurance.* By Edwin C. McDonald. (Metropolitan Life Insurance Company, 1 Madison Avenue, New York 10, N. Y.), March, 1952. Limited number of copies available gratis. The continuation of hospital and surgical coverages on retired employees can be a very costly project, since retired employees need hospital treatment more frequently than do younger employees and their stay in the hospital is likely to be longer. This article outlines a plan, which, owing to the limited nature of the benefits provided retired employees, would keep costs down. Regular coverage and that given a retired worker under this "one maximum" plan are compared.

THE BASIC LIABILITY POLICY. By Ian W. Robertson. *Rough Notes and The Casualty Insuror* (1142 N. Meridian Street, Indianapolis 6, Ind.), April, 1952. This article points out that the best way to provide liability coverage for manufacturers and contractors today is through a comprehensive policy, the core of which is the basic Manufacturers' and Contractors' policy. Coverage, limitations, and premium considerations of the latter are described in detail, and other liability coverages not included in this policy but combined in the Comprehensive General Liability policy are discussed in relation to the needs of manufacturers and contractors.

COMPULSORY SICKNESS COMPENSATION TRENDS. *The Insurance Index* (900 Baxter Avenue, Louisville 4, Ky.), March, 1952. This article, based on a speech by E. H. O'Connor, Managing Director for the Insurance Economic Society of America, traces the history of sickness compensation laws and evaluates possible legislative trends. In Mr. O'Connor's opinion, the government—Federal or state—has no place in the field of accident and sickness insurance. He feels that government intervention in this field should be curtailed until it is proven conclusively that private organizations are unable to do the job.

BOILER AND MACHINERY PROBLEMS. By Edwin B. Pease. *The Weekly Underwriter* (116 John Street, New York 38, N. Y.), March 29, 1952. Boiler and machinery insurance represents only three-tenths of one per cent of insurance premiums written, with only five companies writing 80 per cent of this business today. This article discusses some of the factors which have made this vitally important line unprofitable and which discourage further developments in this type of insurance.

EIGHT FACTORS WHICH AFFECT GROUP INSURANCE CLAIM COSTS. By Donald D. Cody. *Employee Benefit Plan Review* (166 West Jackson Boulevard, Chicago 4, Ill.), Spring, 1952. Although in general group insurance claims costs will depend on the level of benefits and the frequency and length of claims, there are other, more specific factors which also affect such costs. Environment and industrial health conditions, practices of hospitals and doctors, age composition of the group, and salaries are among the factors the author discusses in relation to costs. Salaries, for example, affect costs because the higher salaried employees use medical facilities more extensively and are charged higher fees by professional medical people.

FLEXIBLE PENSION FUNDING. *Estate and Tax Letter* (Mutual Benefit Life Insurance Company, Newark, N. J.), May, 1952. Careful choice of the means of funding pension plans makes it possible to control the impact of costs, this article points out. The key to such control is to fund in such a manner as to retain the greatest possible flexibility consistent with actuarial soundness. One method which the author describes is to divide the pension plan into two component parts—the first fully insured and the other an uninsured auxiliary investment fund.

ARE MY LIMITS OF LIABILITY ADEQUATE? By H. A. Jungbauer. *The Weekly Underwriter* (116 John Street, New York 38, N. Y.), March 29, 1952. In recent years, juries have been rendering large verdicts in liability cases, many for \$100,000 or even \$200,000. This article discusses factors which companies and individuals need to take into consideration in deciding whether they are carrying adequate limits of insurance. Included in the article are some recently revised liability limits tables for automobile bodily injury (commercial vehicles), automobile property damage (commercial vehicles), and other property damage.

HIGHLIGHTS OF 61 RETIREMENT PLANS SHOW COSTS AND BENEFITS. *Employee Benefit Plan Review* (166 West Jackson Boulevard, Chicago 4, Ill.), Spring, 1952. To acquaint employers who are considering new retirement plans with the coverage others are providing, this article describes briefly pension and profit-sharing plans in effect in 61 companies. The number and status of employees participating in each plan, the benefits provided for, and, in some cases, the approximate cost of the plan are covered in this breakdown.

Survey of Books for Executives

AMERICAN CAPITALISM: The Concept of Countervailing Power. By John Kenneth Galbraith. Houghton Mifflin Company, Boston, 1952. 217 pages. \$3.00.

*Reviewed by Herman S. Hettinger**

Sometimes one wishes wryly that business organizations and associations would explain what makes our American economy tick with enough cohesiveness and realism to be convincing to Aunt Tillie, to industrial workers, and upon occasion to government attorneys. The task is not an easy one. Even professional economists find barriers to comprehensive understanding in the dynamic drive of our economy, the multitudinous diversity of its elements, and their rapidly changing complexion. And, all too frequently, business has complicated the task of explaining itself by falling back upon classical economic theories formulated well over a century ago and today worn thin by the constant tread of industrial and economic progress.

Aided by a growing volume of essential statistical information and stimulated to ferment by the yeast of Keynes, leading economists more recently have made substantial gains in constructively re-examining the fundamental characteristics of the American economy. Professor Galbraith's book is a significant contribution in this area and merits reading by any business executive who believes that good industrial and public relations, as well as business statesmanship, must begin with self-knowledge.

Professor Galbraith's case is based upon the fact that, in defiance of the classical "rules" laid down by Smith, Ricardo, and their successors, the American economy has been performing quite brilliantly, although its unorthodoxy has been a source of considerable apprehension on the part of business men and others. The operation of the price mechanism in the free market, Professor Galbraith contends, no longer can be relied upon to direct

economic activity into socially efficient channels. The reason for this is that, with most fields of industry dominated by a comparatively small number of corporations, business has achieved such a degree of mastery over prices that they no longer reflect the ebb and flow of demand, with the result that not only has the old pressure for efficiency in production been lost but there appears to be a positive premium on expenditures for distribution.

If the private enterprise system is to retain enough vigor and functional efficiency to justify continued reliance upon it, some other valid explanation must be found for what makes it work. Professor Galbraith finds such a reason in his "concept of countervailing power."

Essentially, the concept of countervailing power is that there exist within the modern economy various groups with sufficient power and divergent interests to offset each other and thus keep economic activity reasonably in line. Mass retailers, such as chain stores, mail order houses, and department store buying organizations, present a countervailing power to large manufacturers; strong unions stand in the same relationship to powerful corporations, and so on. In some fields, such as agriculture, as well as in certain of the more general areas of the economy, government must of necessity provide the countervailing power. Thus, under normal conditions, the power of any single group is held in reasonable restraint, while the decentralized decisions inherent in our system, combined with the technical progress so characteristic of large-scale American enterprise, result in a better economic system than could be secured by a high degree of centralized planning and control.

Professor Galbraith's book should be the quibbler's delight, for it contains many somewhat categorical statements with which issue could be taken with a certain degree of propriety. This, however, hardly detracts from the book's importance, and it detracts not at all from its stimulative quality.

On the other hand—for this reviewer at least—there seem to be gaps, which conceiv-

* D. M. S. Hegarty & Associates, Inc., New York City.

ably should be filled, or at least questions raised. One wonders whether, in castigating the classical theory of price competition, Professor Galbraith is not whipping a tired old horse—whether the entire concept of dynamic and constructive competition does not need further thought and examination. If Professor Slichter, for example, is right in maintaining that the American economy is the most competitive in the world, then a redescription of the nature of competition, possibly extending beyond current observations and statistical analysis, may be in order. Moreover, after examining a “poor” economy (poor in wealth and attainments) at first hand, this reviewer is doubtful if the so-called “free market” ever existed in any “pure” form in such an economy, except as a gleam in the eye of a theorist who had limited recourse to statistical data.

Professor Galbraith concludes his volume by pointing out that the concept of countervailing power provides little hope for sound economic progress in periods of inflation—and makes his point without possibility of contradiction. It may be that in our efforts to accomplish too much in too little time—in social welfare, defense production, higher income for the many, etc.—we are attempting more than the economy can digest at one swallow.

THE STRUGGLE FOR SURVIVAL. By Eliot Janeway. Yale University Press, New Haven, 1951. Volume 53, The Chronicle of America Series. 382 pages. \$5.00.

*Reviewed by Philip R. Kelly**

As management sadly realizes, mobilization has become one of the new master subjects of our time. Eliot Janeway, consulting economist and political analyst, has made an important contribution to the understanding of this growing force in our society. In this book, along with his recent articles in *The Yale Review*, *The Harvard Business Review*, and other national publications, Mr. Janeway is building the foundation of an authoritative literature for this field.

But, although *The Struggle for Survival* rates a “must” on top-management reading

lists, it is not a dull tome, to be waded through out of a sense of duty. Indeed, Mr. Janeway’s facile prose demonstrates that history can be recorded both dramatically and accurately.

The author’s approach to his subject is built around the Washington personalities who roamed through World War II’s mobilization jungles. Far from being a mere step-by-step chronology of mobilization policies and organization, this book is an intriguing study of the art of practical politics. As such, it deserves the attention of men in management at every level—especially against the backdrop of our current political developments.

As his approach shows, Mr. Janeway realizes that men make and administer policies, and he is adroit in showing the interplay of egos, strengths, and weaknesses that motivated mobilization’s key men during the trying days of 1938-43. Names and faces, many already forgotten, swirl through these pages at a brisk pace. Ickes, Kaiser, Baruch, Knudsen, Knox, Landon, Forrestal, Hillman, Wallace, Nelson, Eberstadt, Henderson, Reuther, Hopkins, Stimson, Stettinius, and others all have their day in court.

Most of the material is new and exclusive, gleanings from the author’s wide personal contacts with people such as the late James Forrestal. Among the prime documents are:

1. The Landon story, revealing the politics of Roosevelt’s “coalition war cabinet” of 1940.
2. The rise of Forrestal, particularly his own appraisal of his work as a war administrator.
3. The political romance of Messrs. Roosevelt and Baruch.
4. The maneuvers of Harry Hopkins and their effect on the Presidential nominee.
5. Other why’s and how’s of the Truman nomination.

And, of course, looming over all the lesser politicians is the dominant personality of that era, Franklin Delano Roosevelt. Surprisingly, Mr. Janeway feels that F.D.R., long regarded by business men as an advocate of “long-haired” planning, really placed his faith not in planning but in people. Speaking of F.D.R.’s approach to mobilization, the author says:

* Associate Director, Lehigh County (Penna.) Community Chest.

To Roosevelt, as the crisis deepened, . . . the important question was the participation of the nation as a whole in its own defense, not the administrative planning for this participation. He dealt, therefore, with the personalities involved in such planning in terms of political pressures on a minute-to-minute basis. . . .

All that Roosevelt thought important about the home front was its size. So long as it reached out to include everyone and everything not under direct military authority . . . he did not believe that his appointees had to organize it particularly well—the participation of the people would push it forward faster than any leaders could lead it, and the spontaneous dynamics of democracy would organize it.

. . . to the end he believed democracy more efficient than efficiency. And to the end he looked to democracy and not to leaders, to democracy's reservoir of mass energy and faith and not to the custodians of specialized wisdom, for the answer. . . .

Whether or not Mr. Roosevelt had thought this out as logically as Mr. Janeway suggests, or whether he operated intuitively, is not the point. Many an over-managed company today might well ponder the validity of the author's viewpoint.

All in all, however, Mr. Janeway feels that we will not be able to afford the same democratic luxuries of moderation, trial and error, and political maneuvering as we continue our current remobilization. For no one knows better than Mr. Janeway that our current mobilization problems are of a different order and magnitude, and the old approaches will avail us little. In a recent article in the *Christian Science Monitor* the author says:

Given the relatively simple technology of the World War II years, . . . we managed virtually overnight to save ourselves. In the process, we reassured ourselves that "the miracle of American production" is a standard performance we can repeat in any crisis.

We still think so. . . . we do not realize that the factor of time has been working against us. . . . for example, the most important jet bomber is bottlenecked for lack of one delicate part. . . .

Nor have we grasped the fact that the advantage which the enemy is exploiting over us today has been in making for the full seven years since VJ-Day. We must learn that we cannot build the strength we need without spending many more years on all-out defense than we have yet admitted will be necessary. . . .

We hope that Mr. Janeway and his colleagues will continue to throw their helpful scrutiny on the problems of mobilization. And, since the financing of mobilization has such great impact on our economy, we trust that subsequent works will discuss the pertinent question of how far we can carry the arms burden without ending in the self-made trap of a completely controlled society. If subsequent works reveal the relationship of mobilization costs to our taxes and debt structure, perhaps more of us will be able to smile as we dig deep for those tax dollars that pay the way.

HUMAN RELATIONS IN SUPERVISION.

By Willard E. Parker and Robert W. Kleemeier. McGraw-Hill Book Company, New York, 1951. 463 pages. \$5.00.

*Reviewed by Frederick J. Bell**

When the authors of this simply written and easy-to-read book state in their preface that "industrial strife and unrest are both unnecessary and avoidable," the reviewer echoes a loud and fervent "amen." And when such a statement appears in a book that is directed specifically to the first-line supervisor it is especially significant, for this first-line supervisor all too frequently finds himself caught between the upper and nether millstones of suspicion and distrust that create tension and bitterness in industrial society.

In plain and forthright terms the authors outline the problems that a supervisor can expect to meet. Using case studies and examples, they point out how pitfalls can be avoided and how the supervisor, this forgotten man of management, can increase his stature as a leader. This is a book that can be read and studied with profit by all echelons of management. After all, every man of management has a dual role—his functional or technical job and his job in the field of human relations.

The most encouraging single factor in American industry today is the growth of a desire—amounting at times to almost an avid thirst—for more knowledge of why people act as they do, for greater information as to how best to

* Director of Human Relations, McCormick & Company, Baltimore.

cope with the problems of people that arise in our day-to-day lives.

Messrs. Parker and Kleemeier have made a constructive contribution to the growing mass of literature on human relations in industry. In an early chapter they point out that "billions of dollars and countless man-hours of effort have been spent by management to perfect machines and materials, but comparatively little thought and money have been spent on the human side." They go on to say that "it is probably no exaggeration to state that in the average factory or office we now get only about one-third of maximum production from workers."

The greater part of the remainder of the book is devoted to methods of attaining leadership through increased knowledge. Then, having covered many of the supervisor's problems, the authors, in a chapter entitled "Your Own Personal Development," emphasize the need for continued study on the part of the supervisor himself, an objective that is as worthy as it is overlooked in these days of television, when too many men are content to spend their

evenings "watching the fights" and let the morrow take care of itself.

Incidentally, in discussing multiple management, which originated at McCormick & Company, the authors err when they state that "the three subordinate boards are made up of men elected by the employees right out of the plant, out of the offices and from the sales force." The original multiple management boards were appointed by the president 20 years ago. Since then, the boards have been self-perpetuating through a process whereby the members merit-rate one another.

I like the flavor of this book. It is full without being wordy. The authors have done an intelligent job. I hope it will be read by many, many supervisors—for, as the authors point out, "as far as the worker is concerned, the immediate supervisor is top management!" And certainly they are correct in saying that "knowledge of people and how they behave is necessary, and most foremen and supervisors just do not have enough of that kind of know-how. This is the all-important human side of supervision. This is the foundation of good supervision."

Briefer Book Notes

[Please order books directly from publishers]

PHYSICAL CAPACITIES AND JOB PLACEMENT. By Bert Hanman. Nordisk Rotogravyr, Stockholm, Sweden, 1952. Available from John de Graff, Inc., 64 West 23 Street, New York. 167 pages. \$5.00. A critical study of the theory and practice of job placement in nine European countries and the United States, with special reference to the placement of disabled persons. Includes a manual of operations.

BIOGRAPHY OF AN IDEA: The Story of Mutual Fire and Casualty Insurance. By John Bainbridge. Doubleday & Company, Inc., Garden City, New York, 1952. 381 pages. \$4.00. As a fact-filled and highly readable story of mutual fire and casualty insurance, this book traces its history from the Great Fire of London up to its present-day prominence in American life. Describes the background and rise of workmen's compensation, automobile, and numerous forms of insurance that have developed out of the mutual idea.

THE JUDGES AND THE JUDGED. By Merle Miller. Doubleday & Company, Inc., Garden City, New York, 1952. 220 pages. \$2.50. A report on blacklisting in radio and television prepared for the American Civil Liberties Union.

COLOR IN BUSINESS, SCIENCE, AND INDUSTRY. By Deane B. Judd. John Wiley & Sons, Inc., 440 Fourth Avenue, New York 16, New York, 1952. 401 pages. \$6.50. Dr. Judd shows how discoveries in the psychophysics of color can be put to dollar-saving use in factories and offices. He discusses the subject in terms of the purchase, production, and sale of commodities whose colors have an important bearing on their usefulness and price.

Publications Received

[Please order directly from publishers]

A STUDY OF THE CONCEPT OF NATIONAL INCOME—*With a Series of Financial Ratio Tables Based on Financial Statements for the Year 1950.* By Roy A. Foulke. Dun & Bradstreet, Inc., New York, 1952. 79 pages. Gratis.

MATERIALS HANDLING: Principles, Equipment, and Methods. By Harry E. Stocker. Prentice-Hall, Inc., New York, 1951. Second revised edition. 330 pages. \$6.65.

INTRODUCTION TO BUSINESS. By Raymond E. Glos and Harold A. Baker. South-Western Publishing Company, 634 Broadway, Cincinnati 2, Ohio. 1951. Second revised edition. 790 pages. \$4.75.

PLANNED PACKAGING. By Harry Jones. George Allen & Unwin, Ltd., London, 1950. 216 pages. (Available from Importations Department, The Macmillan Company, New York. \$7.50.)

SUPERVISORS' MANUAL ON WORK SIMPLIFICATION. By Clifford M. Baumbach. Business Extension Service, University of Oklahoma, Norman, 1951. 57 pages. Gratis.

PROCEEDINGS—THIRD ANNUAL CONFERENCE: 1950. Council of Profit Sharing Industries, First National Tower, Akron 8, Ohio. 117 pages. \$2.50.

NEITHER RIGHT NOR LEFT IN LABOR RELATIONS. By Emile Bouvier. Studies Series B, No. 1. Industrial Relations Section, University of Montreal, 1951. 203 pages. \$2.00.

SAFETY AND THE FOREMAN. By John M. Roche. National Foremen's Institute, Inc., 527 Fifth Avenue, New York, N. Y. 1951. NFI "Standard Management Practice" Series. 197 pages. \$3.00.

RETAILING: Principles and Methods. By Delbert J. Duncan and Charles F. Phillips. Richard D. Irwin, Inc., 1818 Ridge Road, Homewood, Ill. 1951. Third edition. 734 pages. \$7.35.

THOUGHTSMANSHIP FOR THE SALESMAN. By Forrest Clell Shackle, Sr. Vantage-Press, Inc., 230 West 41st Street, New York 18, N. Y. 1951. 165 pages. \$3.00.

MOTOR FREIGHT WORKSHOP: Profit Control in the Motor Freight Terminal. By Bernard Frederick Conroy. Exposition Press, New York, 1952. 250 pages. \$10.00.

INCREASING PERSONAL EFFICIENCY: The Psychology of Personal Progress. By Donald A. Laird. Harper & Brothers, New York, 1952. Fourth edition. 294 pages. \$3.50.

THE ECONOMIC ALMANAC: 1951-1952 — A Handbook of Useful Facts About Business, Labor and Government in the United States and Other Areas. National Industrial Conference Board, 247 Park Avenue, New York 17, N. Y. 663 pages. \$5.00.

STOCK OPTION AND STOCK PURCHASE PLANS: The Report of a Special Panel to the Salary Stabilization Board, October 23, 1951. Available from Superintendent of Documents, U. S. Government Printing Office, Washington 25, D. C. 60 pages. 20 cents.

COST ACCOUNTING. By Adolph Matz, et al. South-Western Publishing Company, Cincinnati 2, Ohio, 1952. 805 pages. \$5.50.

MAJOR PROBLEMS OF UNITED STATES FOREIGN POLICY 1951-1952. Prepared by the staff of International Studies Group, Brookings Institution, Washington, D. C., 1951. 480 pages. \$3.00 (cloth); \$1.50 (paper).

COLLECTIVELY BARGAINED PENSION PLANS IN NEW YORK STATE, JULY, 1951. Division of Research and Statistics, New York State Department of Labor, 80 Centre Street, New York 13, N. Y. 1951. Number B-49. 106 pages. Gratis.

TRAINING AND HOLDING EMPLOYEES. National Retail Dry Goods Association, 100 West 31 Street, New York 1, N. Y. 1951. 123 pages. \$5.00.

Ten COMMANDMENTS OF GOOD ORGANIZATION

There are two kinds of efficiency: one kind is only apparent and is produced in organizations through the exercise of mere discipline. This is but a simulation of the second, or true, efficiency which springs, as Woodrow Wilson said, from "the spontaneous cooperation of a free people." If you are a manager, no matter how great or small your responsibility, it is your job, in the final analysis, to create and develop this voluntary cooperation among the people whom you supervise. For, no matter how powerful a combination of money, machines and materials a company may have, this is a dead and sterile thing without a team of willing, thinking and articulate people to guide it.

- 1 Definite and clean-cut responsibilities should be assigned to each executive.
- 2 Responsibility should always be coupled with corresponding authority.
- 3 No change should be made in the scope or responsibilities of a position without a definite understanding to that effect on the part of all persons concerned.
- 4 No executive or employee, occupying a single position in the organization, should be subject to definite orders from more than one source.
- 5 Orders should never be given to subordinates over the head of a responsible executive. Rather than do this the officer in question should be supplanted.
- 6 Criticisms of subordinates should, whenever possible, be made privately, and in no case should a subordinate be criticized in the presence of executives or employees of equal or lower rank.
- 7 No dispute or difference between executives or employees as to authority or responsibilities should be considered too trivial for prompt and careful adjudication.
- 8 Promotions, wage changes, and disciplinary action should always be approved by the executive immediately superior to the one directly responsible.
- 9 No executive or employee should ever be required, or expected, to be at the same time an assistant to, and critic of, another.
- 10 Any executive whose work is subject to regular inspection should, whenever practicable, be given the assistance and facilities necessary to enable him to maintain an independent check of the quality of his work.

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Copies of AMA's "Ten Commandments of Good Organization" suitable for framing (in two colors, size 9" by 12", on high-quality deckle-edge stock) may be obtained from the Association's headquarters at the following prices: single copy, 25¢; 2-24 copies, 18¢; 25-49 copies, 15¢; 50 copies and over, 12¢.

Orders under \$3.00 should be accompanied by remittances. Sales tax should be included in remittances for New York City orders.

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Establishing Objectives, Plans, and Policies; Setting Standards of Performance; What to Control; Control Tools; Organizing and Introducing Controls; Using Controls.

UNIT THREE: ORGANIZATION BUILDING

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